
**MONMOUTHSHIRE
COUNTY COUNCIL – CIL
VIABILITY ASSESSMENT**

**Viability evidence for
development of a
Community
Infrastructure Levy
Charging Schedule**

Three Dragons with Peter
Brett Associates
July 2014

Final Report



This report is not a formal land valuation or scheme appraisal and should not be relied upon as such. The report has been prepared using the Three Dragons residential toolkit and the Peter Brett non-residential model and is based on local authority level data supplied by Monmouthshire County Council, consultations and quoted published data sources. The models used provide a review of the development economics of illustrative schemes and the results depend on the data inputs provided. This analysis should not be used for individual scheme appraisal. No responsibility whatsoever is accepted to any third party who may seek to rely on the content of the report unless previously agreed.

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EXECUTIVE SUMMARY

1. The Monmouthshire County Council Viability Assessment provides the Council with evidence to assist it in drawing up a Community Infrastructure Levy (CIL) charging schedule. The evidence has been prepared in consultation with the development industry and has followed the relevant regulations and guidance. Evidence has been prepared to inform the CIL charging schedule for both residential and non-residential uses.
2. The recently adopted Monmouthshire Local Development Plan includes affordable housing viability testing as part of its evidence base. This has been reviewed in this new viability work, with testing to determine which assumptions remain current and which required updating.

Residential uses

3. Residential development has been tested through notional 1 ha tiles and through case studies representative of the development planned to take place in Monmouthshire. The notional 1 ha tiles are used to test development on a common basis, which allows the effects of different market areas and different densities to become apparent. The case studies include the seven strategic sites identified in the Local Development Plan as well as other sites, including those planned to provide high proportions of affordable housing.
4. Including a 30% 'buffer', the potential residential development CIL rates that the Council may like to consider are:
 - Strategic Sites except SAH7 Sudbrook Paper Mill - £60/sq m
 - Small sites in Severnside - £60/sq m
 - Small sites in main towns, villages and rural rest of Monmouthshire £110/sq m
 - SAH7 Sudbrook Paper Mill - £0/sq m
 - Village schemes with above 35% affordable housing - £0/sq m
 - Retirement housing - £0/sq m
5. On a 'typical' three bedroom semi-detached market house the proposed charges would be £4,800 on strategic sites and on small sites in Severnside, and £8,800 on small sites in main towns, villages and rural rest of Monmouthshire. This would be in addition to the typical £1,000/dwelling residual s106 and any of the obligations affecting development on the strategic sites. This compares to the current typical s106 payments of £6,000-£7,000 per dwelling.

Non-residential uses

6. The viability testing for non-residential uses included a range of developments representative of the types of development likely to come forward under the Local Development Plan as follows:
 - Retail
 - Offices
 - Industrial

- Warehouse
 - Hotels
 - Care homes
7. Using the same residual value analysis as the residential development, these non-residential uses were tested. The results show that there is scope to charge a **theoretical maximum** of £604/sq m for supermarkets, £331/sq m for retail warehouse, £68/sq m for town centre convenience retail units and £101/sq m for local store - out of centre (convenience) units. It is advised that at whatever the authority chooses as an appropriate charge that a buffer is included, so as not to set the charge at the ceiling of viability as advised in the guidance. Compared to residential development there will be fewer examples of non-residential development and it is likely that there will be wide variations in costs and values. Therefore a larger buffer is required than the 25%-30% considered for residential – a buffer of 40% is recommended. It is suggested that the Council considers a CIL rate of £200 per sq m for out of centre retail development.
8. It is suggested that a zero charge applies to all the other forms of non-residential development. All other tested uses show negative values, although, it is important to note that this does not mean that these uses will never come forward in Monmouthshire. Bespoke schemes with identified end users and land owners willing to sell at lower prices will enable development to come forward in the future.

1 INTRODUCTION

1.1 Three Dragons and Peter Brett Associates were commissioned by Monmouthshire County Council in 2014 to produce this CIL Viability Assessment. This document should be read in conjunction with the Council's forthcoming Infrastructure Plan and regulation 123 list, which will specify the funding gap that CIL will go towards and the type of infrastructure to be funded by CIL. The forthcoming planning obligations SPG will provide further detail on the residual s106/278 requirements.

Purpose of the Economic Viability Assessment

1.2 The viability evidence provided in this report is to assist Monmouthshire County Council in determining a proposed Community Infrastructure Levy (CIL) charging schedule for residential and non-residential uses.

1.3 The viability testing for this report has been designed to assess:

- The amount of CIL that residential and non-residential development can afford.
- Whether there are differences in viability across the county, sufficient to justify different CIL rates.

1.4 The current viability assessment builds on a suite of earlier viability studies. There was an Affordable Housing/Strategic Viability Study in 2010, with additional analysis of the then identified strategic sites in 2011 and a further update in 2012. These formed part of the evidence base in setting the housing policies in the Local Development Plan and have been through the examination process.

The Community Infrastructure Levy (CIL)

1.5 The CIL regulations allow charging authorities to set different rates set out in £s per sq metre (or £/sq m) of net additional floorspace for different uses and for different zones – provided these can be clearly identified geographically¹. CIL is set out as £s / sq m for developments of 1 dwelling or more, or over 100 sq m additional non-residential floorspace. Exemptions include affordable housing and charities.

1.6 DCLG has provided Guidance for the Community Infrastructure Levy², with a new version of this published in February 2014. This guidance is applicable in England as well as Wales and reiterates the importance of balancing the need to provide infrastructure with ensuring that development generally is not made unviable:

“A charging authority should use an area-based approach, involving a broad test of viability across their area, as the evidence base to underpin their charge. The authority will need to be able to show why they consider that the proposed levy rate or rates set an appropriate balance

¹ Regulation 13

² Department for Communities and Local Government (DCLG), February 2014, Community Infrastructure Levy Guidance,

.....between the need to fund infrastructure and the potential implications for the economic viability of development across their area. “(para 23)

- 1.7 In setting the levy rates, the Guidance explains that charging authorities should not set the rate at the margins of viability. English guidance³ has formalised the concept of a viability ‘buffer’ although it is not quantified and not yet an obligatory part of CIL in Wales.
- 1.8 The CIL Guidance explains that the regulations allow charging authorities to apply differential rates for the Levy by geographic zones, development type and scale of development, provided this is justified by the viability evidence. However, “Charging authorities that plan to set differential levy rates should seek to avoid undue complexity, and limit the permutations of different charges that they set within their area.” (para 37)
- 1.9 There will still be s106 contributions in order to make the development acceptable in planning terms. These will have to meet the three tests:
- Necessary to make the development acceptable in planning terms
 - Directly related to the development
 - Fairly and reasonably related in scale and kind to the development
- 1.10 An allowance for residual s106 contributions have been included within the viability assessments.

Guidance on plan viability testing

- 1.11 Guidance has also been published to assist practitioners in undertaking viability studies for policy making purposes – “Viability Testing Local Plans - Advice for planning practitioners”⁴ (the Harman Guide) The approach to viability testing in the Viability Assessment follows the principles set out in the advice. The advice re-iterates that:
- “The approach to assessing plan viability should recognise that it can only provide high level assurance.”*
- 1.12 The Advice also comments on how viability testing should deal with potential future changes in market conditions and other costs and values and states that:
- “The most straightforward way to assess plan policies for the first five years is to work on the basis of current costs and values”. (page 26) but that:*
- “The one exception to the use of current costs and current values should be recognition of significant national regulatory changes to be implemented.....” (page 26)*
- 1.13 This viability assessment has been undertaken in compliance with the CIL regulations and guidance.

³ DCLG, 2014, Planning Practice Guidance

⁴ The guide was published in June 2012 and is the work of the Local Housing Delivery Group, which is a cross-industry group, supported by the Local Government Association and the Home Builders Federation.

Local Plan Policies

- 1.14 The Council adopted the Local Development Plan in 2014. This will guide the future development of Monmouthshire up to 2021. This plan was examined in 2013 and contains current information which is pertinent to this viability assessment and policies that may affect viability. These policies have been reviewed as part of this work and taken into account as part of the viability assessments.
- 1.15 The relevant policies are described in brief in this section of the report. The adjustments to the viability testing in response to the policies are set out in the testing assumptions section.
- Policy S1 sets out the spatial distribution of new housing provision. This has been used to inform the case studies used for the viability testing.
 - Policy S4 states that the affordable housing requirement is 35% for developments of 5 or more dwellings except in Severnside where 25% is required; main villages where 60% is required for 3 or more dwellings; minor villages where 75% is required for 4 dwellings and 66% is required for 3 dwellings. These requirements have been included within the testing.
 - Policy S7 describes the obligation for development to make appropriate on or offsite provision of infrastructure; and that if there are viability issues, provision of affordable housing will generally take precedence over other infrastructure obligations. The narrative following Policy S7 states that *“It is considered that the LDP strategic sites can be delivered without the need for CIL as each site has specific infrastructure requirements that can be dealt with through a standard Section 106 Legal Agreement.”* Viability testing has therefore used policy compliant affordable housing proportions and has included known site-specific infrastructure requirements as well as a more general allowance for bringing the strategic sites forward for development.
 - Policy S12 requires new development to demonstrate sustainable and efficient resource use. We have used build costs that will include current requirements.
 - Policy CRF2 Outdoor Recreation/Public Open Space/Allotments describes the standards sought by the Council: outdoor playing space of 2.4 hectares per 1,000 population and 0.4 hectares of public open space per 1,000 population; 0.25 hectares of allotment space per 1,000 population (strategic sites and 50+ dwellings only) – i.e. 3.05 ha/1,000 people for larger sites and 2.8 ha/1,000 for smaller sites. With an average household size of 2.35 in Monmouthshire, 1,000 people is equivalent to 425 households – indicating that approximately 0.7 ha of open space is required per 100 dwellings.
 - Policy SD4 states that development will include Sustainable Urban Drainage Systems (SUDS). This is part of normal development good practice.
 - Policy MV1 states that development that is likely to have a significant transport impact must have a Transport Assessment with a Transport Implementation Strategy. If there will be a significant additional traffic then highway improvements or traffic mitigation will be required.
 - Policy MV2 states that development will include appropriate sustainable transport links, including public transport, walking and cycling.

- Allocated sites – there are seven strategic sites in the County, which are planned to take approximately 2,000 dwellings out of the 3,349 planned dwellings yet to be completed. The importance of these sites to delivery of the Plan means that they will need to be specifically included within any viability modelling. They are described in detail in the following policies:
 - Policy SAH1 deals with the Deri Farm strategic site and requires that electricity pylons are removed and lines undergrounded; sustainable transport links are provided to Abergavenny centre and that there is a landscape buffer along the northern edge of the site. This is accounted for in the site specific costs and the gross to net developable land area.
 - Policy SAH2 deals with the Crick Road strategic site and requires that 1 hectare of employment land is provided and that there is pedestrian access to Portskewett and Caldicot.
 - Policy SAH3 deals with the Fairfield Mabey strategic site and requires that 3 hectares of employment land is provided (with four starter units financed by an adjacent development), that necessary offsite highway and pedestrian works are undertaken, that there will be a riverside path and that there will be a buffer strip along the River Wye.
 - Policy SAH4 deals with the Wonastow Road strategic site and requires that 6.5 hectares of employment land is provided and that necessary offsite highway works are undertaken.
 - Policy SAH5 deals with the Rockfield Farm strategic site and requires that 2 hectares of employment land is provided, that the masterplan takes account of the SINC on site, that necessary offsite highway works through Magor and Undy are undertaken and that there are contributions to community facilities.
 - Policy SAH6 deals with the Vinegar Hill strategic site and requires that necessary offsite highway works are undertaken and that there are contributions to community facilities.
 - Policy SAH7 Sudbrook Paper Mill deals with the Sudbrook strategic site. There are no specific requirements beyond the housing numbers.

1.16 In addition to these policies, the Council has advised that Rockfield Farm and Vinegar Hill are required to provide sections of the Magor-Undy bypass and this has been included as part of the assessment.

Research evidence

1.17 The research which underpins the viability assessment includes:

- An analysis of publicly available data to identify the range of values and costs needed for the viability assessment – updated to the start of 2014;
- Discussions with council officers from planning, estates and housing departments;
- Analysis of information held by the authority, including a review of historic planning permissions, land sales and information on the strategic sites for development;

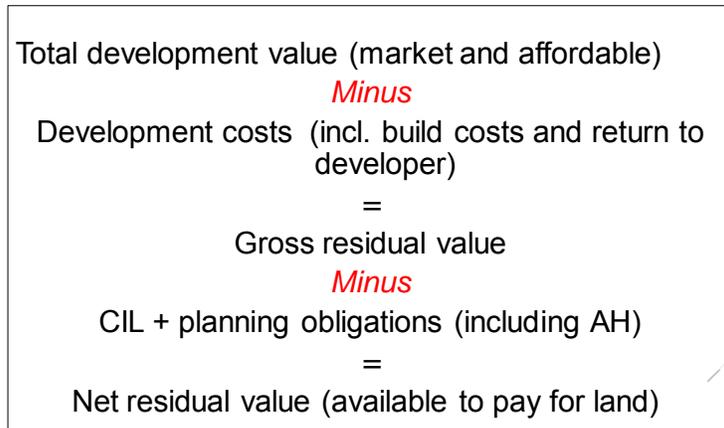
- A workshop held in March 2014 with developers, land owners, their agents and representatives from a selection of registered providers in the area. 13 organisations were invited and seven organisations were represented at the workshop, in addition to the Council. A follow on note regarding land values and house prices was then circulated to the 13 organisations originally invited, with one comment received. Annex 5 provides a note of the workshop;
- Subsequent communication via the Council with landowners, developers and their agents of the strategic sites in Monmouthshire, used to collect information about specific costs associated with the sites;
- Use of the Three Dragons Toolkit, adapted for Monmouthshire to analyse scheme viability for residential development and of the Peter Brett non-residential model for the analysis of non-residential schemes.

2 VIABILITY TESTING – RESIDENTIAL DEVELOPMENT

Principles

- 2.1 The viability testing uses a residual value approach, the principles of which are set out in the figure below.

Figure 2.1 Residual Value Approach



- 2.2 To assess viability, the residual value generated by a scheme is compared with a benchmark value, which reflects a competitive return for a landowner. If the residual value is higher than the benchmark land value, the scheme is considered viable. This is considered through the testing of notional 1 ha tiles (used to test development on a common basis, which allows the effects of different market areas and different densities to become apparent) and through case studies representative of the development planned to take place in Monmouthshire.
- 2.3 Establishing suitable land value benchmarks is an important part of any viability testing. Welsh Government guidance⁵ states that viability is a key factor in striking the balance between collecting revenue and not setting rates too high (para 2.2); and that viability studies should concentrate on sites where the imposition of CIL may have an impact on viability (para 2.18). It is noted that land values across an area may already result in development becoming unviable or marginal and this needs to be considered (para 2.20). Land value benchmarks used in this study take account of the benchmarks used in the Local Development Plan evidence base, existing use values, land registry transaction evidence, recent transactions and the development industry feedback.
- 2.4 The setting of benchmark land values in Monmouthshire takes account of the existing or former uses of the sites. Where the site is within an urban area or on a brownfield site outside an urban area the threshold land value uses a premium over industrial land values (as this is the likely former or alternative use) and where the site is a greenfield allocation the threshold land

⁵ Welsh Government, 2011, Community Infrastructure Levy Preparation of a Charging Schedule,

value use a premium over agricultural land values. The benchmark land values used in this study are:

- £650,000 per gross ha for urban sites. This figure is 60% over the estimated industrial land value (a premium of 30% is normally considered a suitable incentive), has been discussed at the development industry workshop and is in line with the evidence base for the recently adopted Local Development Plan. This benchmark is also supported by the land transaction evidence although it is noted sale prices are either side of this value. This benchmark is above the comparables in lower value Caerphilly and Merthyr Tydfil⁶ (up to £500,000/ha used in the CIL viability assessments).
- £250,000 per gross ha for strategic greenfield sites. This is 15-20 times agricultural values, which is in the higher end of the range expected to incentivise greenfield land owners. In addition we assess the impact of a slightly higher benchmark at £300,000 per hectare.

2.5 The benchmarks are applicable across Monmouthshire as there is no clear evidence to vary them by location and the development industry indicated that a single set of benchmarks was appropriate.

2.6 Further detail on the information used to set the benchmark land values can be found in Annex 1.

Testing Assumptions

2.7 The key assumptions used in the analysis of residual values for both the 1 hectare and case study sites are presented below. These have been discussed as part of the development industry workshop in March 2014, with some of the affordable housing assumptions and strategic site characteristics refined through subsequent information collection.

Table 2-1 Development Costs

Item	Rate	Notes
Build - Flats (1-2 storeys)	£1,080/sq m	Includes 15% for external works. BCIS with Gwent location weighting ⁷ , 5 year median
Build - Houses (2-3 storeys)	£993/sq m	Includes 15% for external works. BCIS with Gwent location weighting, 5 year median
One off development build – Houses (2-3 storeys)	£1,092/sq m	Premium over standard BCIS to reflect higher build costs for smaller developments.
One off development build – Flats (1-2 storeys)	£1,188/sq m	Premium over standard BCIS to reflect higher build costs for smaller developments.
Professional fees	10% of build costs	
Finance	6% of development costs	

⁶ DCLG Live Table 581 states q3 2013 average house prices in Monmouthshire were £208,610 compared to £117,596 in Caerphilly and £103,066 in Merthyr Tydfil.

⁷ Building Cost Information Service (BCIS) applies weightings to reflect varying build costs in different parts of the UK and continues to use Gwent as a defined area. The development industry workshop agreed that Gwent costs were suitable for Monmouthshire and other parts of South Wales

Item	Rate	Notes
Marketing fees	3% of market GDV	
Developer return (market)	20% of market GDV	For market housing
Contractor return (AH)	6% of build costs	For affordable housing
Stamp Duty Land Tax	Variable	Depends on land value
Agents/legal costs	2.5% of residual value	
Sprinklers	£3,075 houses, £879 flats	Source Welsh Government. Not required until Jan 2016
Base residual s106	£1,000 per dwelling	To cover play only, based on the MCC Interim Policy Guidance costs of public open space and children's' play.

- 2.8 In addition to these costs, an additional allowance has been made for development on the larger sites to reflect additional costs for site specific infrastructure (opening up costs). As discussed at the development industry workshop, this is £100,000 per hectare. This in addition to the 15% allowance for external works.
- 2.9 The costs in Table 2.1 above refer to a base residual s106 payment of £1,000 per dwelling, which will be for onsite open space and children's' play. This compares to the current typical s106 contribution of £6,000-£7,000 per dwelling, which also includes contributions for adult recreation, sustainable transport and education. While the Council has yet to formally determine its approach to the use of CIL through a regulation 123 list, the Council has advised that the current intention is for adult recreation, strategic highways and education to be funded through CIL and that the £1,000 per dwelling will be the typical post-CIL s106 requirement for each household. In addition to this base residual s106 payment, the different strategic sites have their own specific s106 requirements and the cost of these⁸ have been included within the modelling for each of the sites.
- 2.10 In the analysis of the case studies (see chapter 4), we include additional costs for certain sites that the Council expects to be directly funded by the development through a s106 agreement.
- 2.11 Some of the other case study types have their individual costs:
- Retirement housing has a build cost of £1,163/sq m including 15% external works, as well as 6% marketing costs and £120,000 empty property costs, sales are spread over three years and 25% of the GIA is communal space.
 - One-off housing (up to three dwellings) has additional costs. This varies considerably and an uplift of 10% above general housing costs has been used.

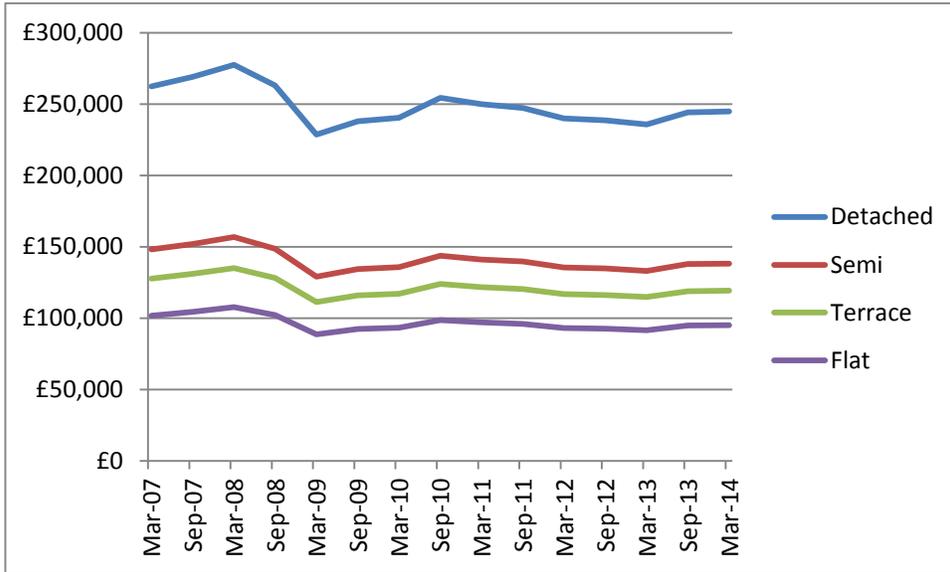
⁸ Estimates based upon contact with developers, discussions with Council Officers and reference to the costs used in the Schedule of Infrastructure Provision for Strategic Sites appended to the Local Development Plan.

Development Values

Market Housing Values

2.12 House prices in Monmouthshire are still lower on average than they were at the peak of the market in 2007-2008, although prices have risen since 2009.

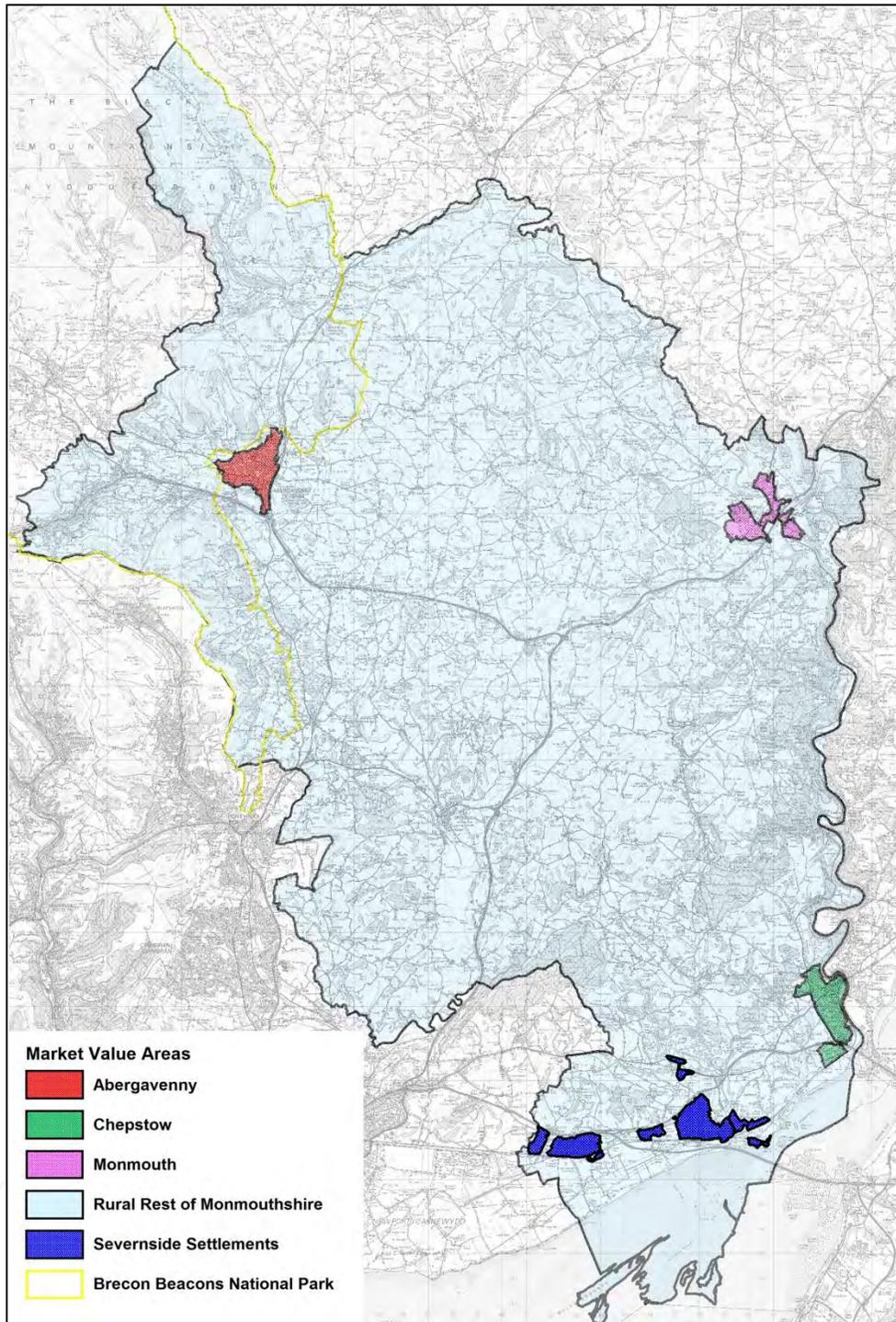
Figure 2-2 House Prices in Monmouthshire 2007-2014



Source Land Registry Price Paid data

2.13 House prices vary within Monmouthshire and this viability study uses the value areas identified as part of the 2010 Affordable Housing Viability Study (AHVS) and accepted as being robust at the examination into the Council’s Local Development Plan. These value areas were again discussed as part of the development industry workshop held in March 2014 and the house price analysis confirms that there are value variations between these areas. In terms of the prices for new build dwellings, the rural rest of Monmouthshire has the highest values, followed by Chepstow, Abergavenny/ Monmouth and then the Severnside settlements along the M4.

Figure 2.3 Illustrative House Price Areas in Monmouthshire



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Severnside settlements are identified in Local Development Plan Policy S1 – Caerwent, Caldicot, Magor, Portskewett, Rogiet, Sudbrook and Undy. The ‘Rural Rest of Monmouthshire’ includes the main and minor villages and the rural secondary settlements (identified in Local Development Plan Policy S1) and open countryside.

- 2.14 Initial house price data was discussed at the development industry workshop in March 2014 and it was suggested that the values needed to be reviewed, that some atypical schemes should be excluded and that sales values per sq m should also be considered.
- 2.15 Following the workshop further data collection and analysis was undertaken. This included:
- Land Registry data for new build dwellings from 2011 to 2013 was reviewed in order to get a spread of transactions⁹, and care was taken to ensure specific developments¹⁰ did not unduly skew average values.
 - For a sample of dwellings¹¹, sale price and size data was used to analyse price paid per sq m.
 - Current prices for new dwellings were reviewed; taking into account that price paid is likely to be less than the asking price.¹²
- 2.16 Drawing on all the above data, market values for different dwelling types were then estimated. This process started with the price paid data, which was then cross referenced against current asking prices (with discount) and values per sq m, and adjusted as appropriate for typical dwelling sizes being developed in Monmouthshire. The table below sets out the prices for different dwelling types in the Monmouthshire value areas based upon this analysis. Individual dwellings may sell above or below these averages depending on their size and specific location.

Table 2-2 House prices for Monmouthshire Value Areas

	Abergavenny	Chepstow	Monmouth	Severnside	Rural Rest of Monmouthshire
1 bed flat	£115,000	£120,000	£125,000	£100,000	£115,000
2 bed flat	£130,000	£140,000	£140,000	£120,000	£130,000
2 bed terrace	£170,000	£180,000	£180,000	£140,000	£170,000
3 bed terrace	£190,000	£200,000	£190,000	£170,000	£190,000
3 bed semi	£190,000	£210,000	£190,000	£170,000	£200,000
3 bed detached	£210,000	£215,000	£195,000	£185,000	£215,000
4 bed detached	£300,000	£330,000	£290,000	£260,000	£330,000
5 bed detached	£350,000	£380,000	£320,000	£290,000	£380,000

Source Three Dragons analysis based on Land Registry Price Paid data for new build, current asking prices (with discount) and price per sq m.

- 2.17 Waterfront developments are known to create higher than average values. 2012 research¹³ states that prime UK waterfront properties have a 56% premium over inland equivalents, with estuary locations providing 85% premium, harbour locations 78%, coastal locations 52%, river

⁹ 386 new build transactions

¹⁰ E.g. the higher value Caerwent scheme in Severnside – Caerwent being more typical of other settlements north of the M4

¹¹ 67 dwellings analysed for £/sq m. The sample was drawn from recent planning permissions to provide accurate measurement of the dwelling sizes and then cross referenced, on a property by property basis, to Land Registry data on actual sale prices.

¹² By about 7%

¹³ Knight Frank, 2012, How do waterfront locations affect prices?

locations 47% and lakeside 28%. While it is unclear to what extent these prime property uplifts will apply in Monmouthshire, it is likely that there will be increased values in water front sites in locations such as Chepstow. A conservative 25% premium (just under half of the average uplift suggested in the research) has been applied to a subset (25%) of dwellings assumed to have good river views for the Fairfield Mabey case study site, which is on the banks of the River Wye in Chepstow. The Sudbrook Paper Mill case study site is also waterfront, but its location at the foot of the second Severn Crossing makes it a less likely candidate for this kind of uplift.

2.18 Small scale “one-off” developments (up to three dwellings) are also known to support higher values, related to the bespoke nature of this scale of development. While some one-off developments with special design and space standards will produce very high values, this viability assessment has sought to model dwellings that are similar to the types of dwellings that may also be built as part of larger developments. Based on experience, it has been assumed that these dwellings will command a 10% premium over their estate counterparts.

Affordable Housing

2.19 Policy S4 of the Local Development Plan sets out the requirement for affordable housing to be provided. The policy provides targets for affordable housing for the main settlements and for villages. The following extract shows the policy for the main settlements.

- *In Main Towns and Rural Secondary Settlements as identified in Policy S1 development sites with a capacity for 5 or more dwellings will make provision (subject to appropriate viability assessment) for 35% of the total number of dwellings on the site to be affordable.*
- *In the Severnside settlements identified in Policy S1 development sites with a capacity for 5 or more dwellings will make provision (subject to appropriate viability assessment) for 25% of the total number of dwellings on the site to be affordable.*

Source Policy S4 Local Development Plan

2.20 These affordable housing targets are used for testing the notional 1 ha tile (in chapter 3) and testing a range of case study sites (in chapter 4). There are further policies for provision of affordable housing in the Main and Minor Villages which we deal with in detail through a selection of case studies in chapter 4.

2.21 The affordable housing modelled, is a combination of social rented (50%), intermediate rent (25%) and Homebuy (25%; at 50% average share size, with no rent on the unbought share).

2.22 The values for affordable rented housing are estimated using capitalised net rent¹⁴ without grant and assume £1,500 for management/maintenance/repairs/voids etc.

Table 2-3 Weekly Affordable Housing Rents

Dwelling Type	Weekly Social Rent	Weekly Intermediate Rent
1 bed flat	£78	£90
2 bed flat	£85	£110
2 bed house	£85	£115

¹⁴ Capitalisation rate of 6%

Dwelling Type	Weekly Social Rent	Weekly Intermediate Rent
3 bed house	£89	£135
4 bed house	£92	£160

Source Monmouthshire County Council. Rents are net of service charges.

Types of testing

2.23 Two types of testing have been undertaken for the assessment:

- A notional 1 hectare site (at a range of densities from 30dph to 50dph); tested in the different value areas in Monmouthshire. This is used to explore the differences in viability between different locations and different densities of development, on a common basis.
- A series of 19 case studies ranging in size from 3 to 450 dwellings.

2.24 Results from the Notional 1 ha tile are reported in chapter 3 and results for the case studies, in chapter 4

3 VIABILITY TESTING – NOTIONAL 1 HA TILE

Introduction

- 3.1 This section of the report sets out the viability assessments for the 1 ha notional tiles, which are used to explore the underlying viability trends across the county.
- 3.2 The residual value of the notional 1 ha site is calculated using the Three Dragons Toolkit and then compared with the benchmark land value for the area, to estimate the surplus residual value potentially available for CIL.
- 3.3 We model the 1 ha tile in each of the value areas i.e. Severnside, Monmouth, Chepstow, Abergavenny and rural rest of Monmouthshire. The tile is tested for three different densities of development, as agreed with the Council and discussed at the industry development workshop. The three densities are 30 dwellings per hectare (dph), 40 dph and 50 dph. The dwelling mixes for the market housing reflect feedback from the development industry workshop and an analysis of development profiles from a sample of recent planning permissions provided by the Council.
- 3.4 For the affordable housing, the Council advised on the type of dwelling for the different affordable tenures, based on the results of their latest Local Housing Market Assessment¹⁵. These do not vary with scheme density. In practice the mix may vary depending on local circumstances.

Table 3.1a Dwelling mixes for the market units – at different development densities

	30 dph	40 dph	50 dph
	%s	%s	%s
1 bed flat			
2 bed flat		5%	10%
2 bed terrace		10%	15%
3 bed terrace	10%	25%	40%
3 bed semi	15%	35%	15%
3 bed detached	5%	5%	
4 bed detached	60%	20%	20%
5 bed detached	10%		

¹⁵ Newport, Torfaen and Monmouthshire Local Housing Market Assessment 2006 – Update 2010 Local Authority Report for Monmouthshire June 2010

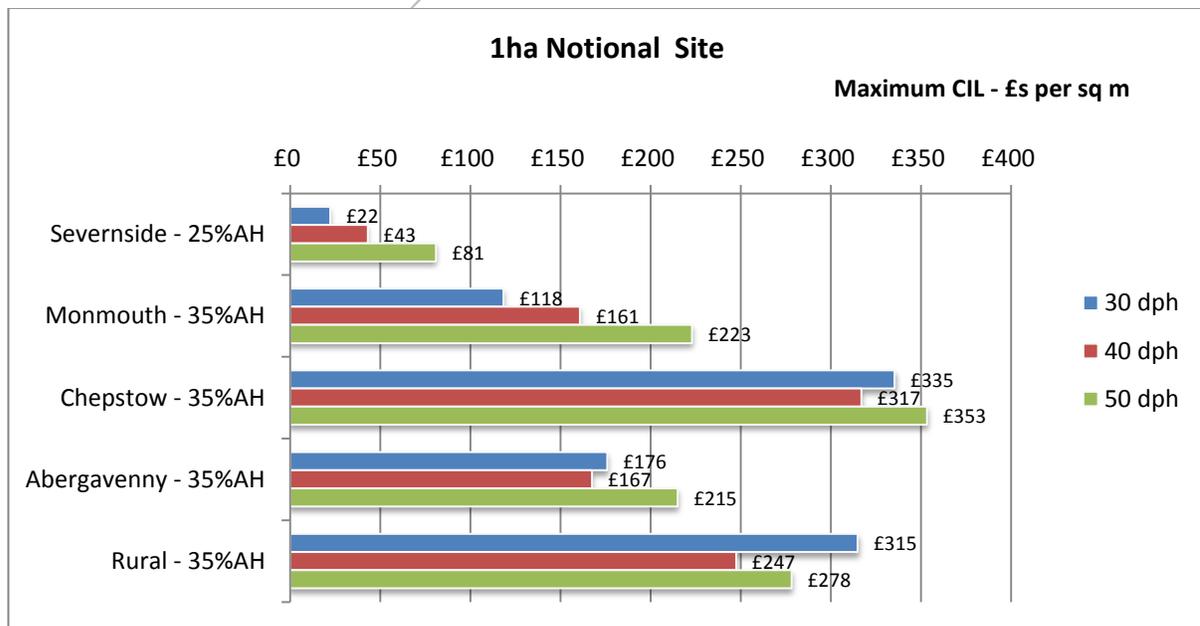
Table 3.1b Dwelling mixes for the affordable housing – as %ages of total Affordable units – same for all densities

	Social Rent	Intermediate Rent	Homebuy	Total
1 bed flat	20%			20%
2 bed flat	10%	10%		20%
2 bed terrace	2.5%	15%	12.5%	30%
3 bed terrace	7.5%		12.5%	20%
4 bed terrace	10%			10%
Total	50%	25%	25%	100%

Results for the notional 1 hectare tile

- 3.5 We tested at affordable housing policy percentages i.e. 35% in all value areas except Severnside, which was tested at 25% affordable housing. All testing was undertaken with a residual s106 requirement of £1,000 per dwelling, and allowed for the provision of sprinklers - £879/flat and £3,075 per house.
- 3.6 To arrive at the maximum potential CIL we:
- Identify the residual value of the scheme being tested;
 - Deduct the land value benchmark to identify the ‘surplus’ value available for CIL;
 - Divide the surplus by the area of the market dwellings (in £s per sq m)
- 3.7 Results for each value area are shown in chart 3.1 below, which assumes the standard urban sites land value benchmark of £650,000 per hectare (detailed results are shown in Annex 6).

Chart 3-1: Maximum potential CIL for the 1 ha tile at 30 dph, 40 dph and 50 dph



3.8 Commentary:

- Residual values vary with the value area and density of development and hence there is considerable variation in the potential for CIL.
- Chepstow and the rural rest of Monmouthshire value area show similar profiles with a CIL in excess of £300 per sq m potentially available for at least one development density.
- The potential for CIL is lower in the Monmouth and Abergavenny value area but even here, there is at least one development density that shows a potential CIL of over £200 per sq m with no potential CIL for any development density of below £100 per sq m.
- Severnside value area (which already has a lower affordable housing requirement – at 25%) shows a much reduced potential for CIL. At most, this is £80 per sq m but falls to £22 per sq m with the 30 dph development mix.

4 RESIDENTIAL VIABILITY TESTING – CASE STUDY SITES

Introduction

4.1 The Council has identified 21 case studies, varying in size from 3 to 450 dwellings, which reflect typical sites likely to be brought forward in Monmouthshire over the plan period. The selection of sites draws on the policies set out in the LDP and we emphasise the importance of case studies that illustrate sites making up a high proportion of the future housing supply. The following is an extract from the LDP which highlights:

- The significant contribution from new site allocations (about 73% of total dwellings excluding those built or with planning permission at 1 April 2013).
- That windfall sites will make a larger contribution in the main towns of Abergavenny, Chepstow and Monmouth than in the Severnside settlements but in neither are they to be the main source of future supply.
- Windfall sites are relatively important in the rural rest of Monmouthshire, particularly small windfall sites of less than 10 dwellings (windfalls account for 59% of total dwellings in Rural Secondary Settlements and other rural areas excluding those built or with planning permission at 1 April 2013).

Table 4-1 Extract from Monmouthshire County Council Local Development Plan

Policy S2 – Housing Provision						
Provision will be made to meet a requirement for 4,500 residential units in the plan period 2011-2021. This need will be met by identifying opportunities for around 4,950 dwellings to enable a 10% flexibility allowance as follows:						
Settlements	a) Committed 1/4/2013	b) Completions 2011 - 2013	c) Large Site Windfall	d) Small Site Windfall	e) New Site Allocations	Total
Abergavenny	97	19	65	75	310	566
Chepstow	220	29	30	46	350	675
Monmouth	197	86	11	46	485	825
MAIN TOWNS	514	134	106	167	1145	2066
Caldicot	67	119	0	24	0	210
Portskewett	8	19	0	12	285	324
Magor/Undy	53	61	0	22	495	631
Caerwent	54	79	0	19	0	152
Rogiet	8	15	25	5	0	53
Sudbrook	3	4	46	1	190	244
SEVERNSIDE SETTLEMENTS	193	297	71	83	970	1614
Usk	5	11	0	17	20	53
Raglan	11	3	0	16	45	75
Penperlleni	8	1	45	3	65	122
Llanfoist	63	77	102	3	0	245
RURAL SECONDARY SETTLEMENTS	87	92	147	39	130	495
RURAL	218	73	14	277	200	782
TOTAL	1012	596	338	566	2445	4,957

4.2 We have divided the case studies into two groups – larger (allocated) strategic sites and small case studies and report on them separately below while Annexes 2 and 3 provide details of the assumptions used for the testing.

Larger strategic sites (Case Studies 1 to 7)

4.3 The larger strategic case studies mirror the strategic sites allocated in the LDP. They are:

- i. SAH1 Deri Farm Abergavenny
- ii. SAH2 Crick Road Portskewett
- iii. SAH3 Fairfield Mabey Chepstow
- iv. SAH4 Wonastow Road Monmouth
- v. SAH5 Rockfield Farm Undy

vi. SAH6 Vinegar Hill Undy

vii. SAH7 Paper Mill Sudbrook

4.4 In modelling larger schemes, there are a number of additional factors that have to be taken into account (and are referred to in the Advice for Planning Practitioners):

- The Advice for Planning Practitioners indicates that large scale schemes incur additional development costs that do not apply to smaller sites. We have already included a 15% uplift on build costs (identified by BCIS) for external works (local roads, pavements etc.). This approximates to just under £11,000 per dwelling or in the order of £330,000 per hectare for a 30 dph scheme. We make a further allowance to cover items such as ground remodeling and bringing utilities to the site. We have made a standard allowance for these costs but recognise the figure used is an estimate and actual costs will vary from site to site. The additional costs are at £100,000 per net hectare. At a density of 30 dph this is about £3,300 per dwelling, which added to the £11,000 above takes the total cost per dwelling to over £14,000.
- In other studies we have undertaken with strategic sites of 1,000 dwellings or more, we use a higher cost but for strategic sites of this scale and location (in relation to existing services), we consider the figure of £100,000 to be adequate. Two of the strategic sites (at SAH3 Fairfield Mabey and the SAH7 Paper Mill Sudbrook) are brownfield sites. In these cases the £100,000 per hectare is for site clearance etc. rather than bringing in new services etc.
- The developable area will sometimes be less than the gross area of the allocated site. The percentages used have been discussed with the Council and reflect site characteristics and how requirements for open space will be met. For Rockfield Farm and Vinegar Hill an allowance has been made on the advice of the Council for the land take for a Magor-Undy bypass.
- Completion of the schemes will take a number of years and this is reflected in the modeling process. Residual values have been calculated using the discounted cash flow facility within the Three Dragons Toolkit, using an appropriate discount rate.

4.5 Each strategic site has a series of requirements set out in the LDP which are to be funded through site-specific s106 agreements (and not through CIL). Some sites also have known development issues (e.g. undergrounding power lines) that need to be taken into account in the viability assessment even if they are not subject to s106 agreements.

4.6 To obtain the best estimates for all these requirements we have consulted the Council who, in turn, wrote to all the scheme promoters following the development industry workshop. Where we have not been provided with up to date information, we have used information from the previous report that assessed the strategic sites (Affordable Housing/Strategic Viability Study – 2011 update) and our own information sources. Costs include items such as transport, community facilities, moving power cables, specific greenspace requirements etc. It is not possible to itemise costs as some information has been provided on a confidential basis. In all cases, the costs shown are best estimates and will be subject to change when schemes are

further advanced in design and planning terms. This is important when considering the use of a buffer in setting the CIL rate.

- 4.7 Some of the LDP requirements may be funded outside any s106 agreements (such as CIL or other funding) and the Council has advised on alternative scenarios for three of the strategic sites:
- SAH3 Fairfield Mabey has been tested without and with the £1.7m cost of High Beech roundabout improvements, in addition to the other LDP requirements. These are *alt 1* and *alt 2* respectively.
 - SAH5 Rockfield Farm and the adjacent SAH6 Vinegar Hill have been tested with different Magor bypass scenarios in addition to the other LDP requirements:
 - Non-frontage distributor road – c.£1.3m for Rockfield Farm and c.£1.5m for Vinegar Hill. This is *alt 1* for both of these sites.
 - By-pass standard road – c.£1.6m for Rock Field Farm and c.£1.9m for Vinegar Hill. This is *alt 2* for both of these sites.
 - Route safeguarded – adjustment to gross to net only and no direct cost for road construction. This is *alt 3* for both of these sites.
- 4.8 The following table summarises the key information we have used for the larger case studies, all the other assumptions are as for the notional 1 hectare scheme.

Table 4 – 2 Large Strategic Case Studies Characteristics

Case Study	Scheme	MVA	Dwgs	Net ha	Net to gross (%)	Additional Development Costs	Development Rate; Dev Period
STRATEGIC SITES							
1	SAH1 Deri Farm Abergavenny	Abergavenny	250	7.70	89%	4,250,000	20pa yr 1 then 40 pa; 7 yrs
2	SAH2 Crick Road Portskewett	Severnside	285	7.70	77%	120,000	55pa; 6 yrs
3.1	SAH3 Fairfield Mabey, Chepstow (alt 1)	Chepstow	350	9.50	73%	3,600,000	40pa yr 1 then 80 pa; 5 yrs
3.2	SAH3 Fairfield Mabey, Chepstow (alt 2)	Chepstow	350	9.50	73%	5,290,000	40pa yr 1 then 80 pa; 5 yrs
4	SAH4 Wonastow Rd Monmouth	Monmouth	450	16.46	84%	420,000	62pa yr 1 then 100 pa; 5 yrs
5.1	SAH5 Rockfield Farm Undy (Alt 1)	Severnside	270	7.45	83%	1,700,000	55pa; 5 yrs
5.2	SAH5 Rockfield Farm Undy (Alt 2)	Severnside	270	7.45	83%	1,970,000	55pa; 5 yrs
5.3	SAH5 Rockfield Farm Undy (Alt 3)	Severnside	270	7.45	83%	400,000	55pa; 5 yrs
6.1	SAH6 Vinegar Hill Undy (Alt 1)	Severnside	225	6.91	88%	2,000,000	50pa; 5 yrs
6.2	SAH6 Vinegar Hill Undy (Alt 2)	Severnside	225	6.91	88%	2,320,000	50pa; 5 yrs
6.3	SAH6 Vinegar Hill Undy (Alt 3)	Severnside	225	6.91	88%	450,000	50pa; 5 yrs
7	SAH7 Paper Mill Sudbrook (Alt 1)	Severnside	190	6.60	100%	38,000	50pa; 4 yrs

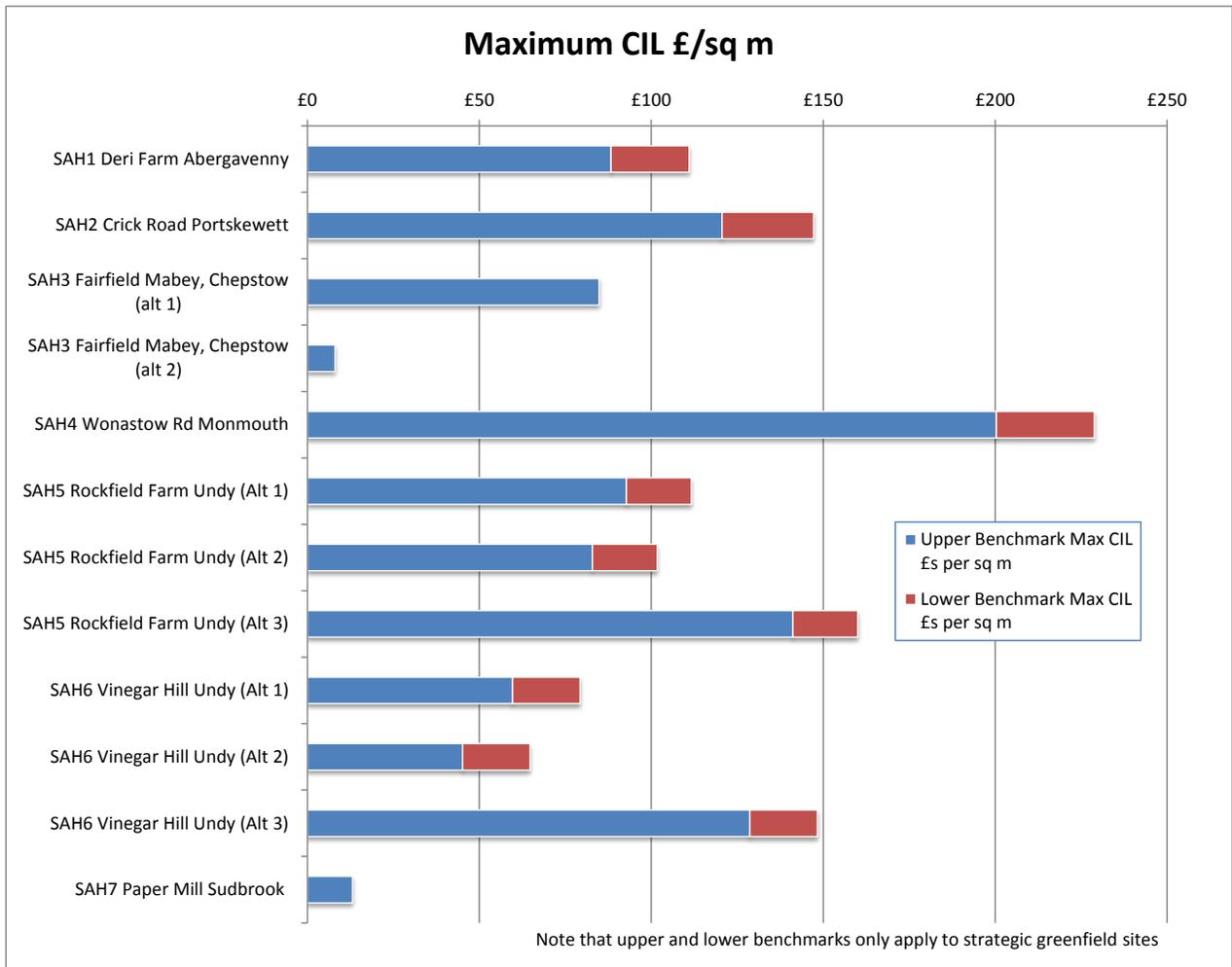
4.9 The testing results for the large strategic case studies are summarised below. The results show the maximum potential CIL with the upper and lower benchmark land values for strategic greenfield land, while the brownfield sites have a single standard benchmark land value. In all cases the modelling has taken into account a residual s106 allowance of £1,000 per dwelling and an allowance for sprinklers of £879 per flat and £3,075 per house.

4.10 To calculate the maximum potential CIL, we take the residual value per gross hectare, deduct the upper or lower benchmark value and then divide by the market floor area per gross hectare of the scheme. The upper benchmark value will generate a lower potential CIL rate than the lower benchmark value. Where a scheme is located within an urban area, a benchmark of £650,000 per hectare is applied, whilst large greenfield sites are measured against an upper

benchmark of £300,000 and a lower benchmark of £250,000 per gross hectare to take into account the higher costs of servicing and developing the site.

4.11 Again we model sites in Severnside with a lower affordable housing requirement than elsewhere (25% compared to 35%).

Figure 4-1 Large Strategic Case Studies –Maximum Potential CIL



4.12 All the strategic sites produce a residual value above the benchmark land value and therefore there is potential to charge a CIL but there are significant differences between the economic viability of the sites:

- i. SAH4 Wonastow Road generates the highest potential CIL at between £200 and £229 /sq m depending on whether the upper or lower benchmark is used.
- ii. SAH2 Crick Road has a potential maximum CIL of between £121-£147/sq m and SAH1 Deri Farm has a potential maximum CIL of between £88-£111/sq m.
- iii. SAH3 Fairfield Mabey Chepstow is measured against the urban benchmark of £650,000 per gross hectare (because it has a previous use as an industrial site) and generates a potential

CIL of £85/sq m. However if this development has to fund the High Beech roundabout the maximum CIL is effectively £0/sq m.

- iv. SAH7 Sudbrook Paper Mill is also measured against the urban benchmark of £650,000 per gross hectare (again because it has a previous use as an industrial site) and generates a potential CIL of just £13 per sq m.
- v. SAH5 Rockfield Farm and SAH6 Vinegar Hill both have similar viability. If the developments are not required to provide a Magor-Undy bypass then the maximum potential CIL varies from £129/sqm to £160/sq m, depending on the site and whether the upper or lower benchmark is used. However the provision of a non-frontage road will reduce the maximum CIL to between £60/sq m to £112/sq m and a bypass standard road will further reduce the maximum CIL to between £45/sq m to £102/sq m.

Small Case Study Sites (Case Studies 8 to 20)

- 4.13 The smaller case studies are hypothetical schemes representative of future development in Monmouthshire (away from the strategic sites). They are based on information about sites allocated in the LDP but should also be representative of windfall developments. The small case studies vary in size from 3 to 35 dwellings.
- 4.14 The first group of small case studies are of developments that will provide the ‘normal’ policy level of affordable housing i.e. 25% in Severnside and 35% elsewhere. These case studies are set out below.

Table 4-3 Small Case Studies

Number	Name	Dwellings
8	Severnside	35
9	Severnside	10
10	Severnside	4
11	Severnside	3
12	Main towns	35
13	Main towns	10
14	Main towns	4
15	Main towns	3

- 4.15 For these small case studies, we assume that development occurs within one year and we follow a similar approach to that used for the other testing, with the benchmark land value deducted from the residual value to estimate the additional value available for a CIL charge.
- 4.16 Table 4-4 below sets out the key characteristics of the small case studies, all other assumptions are as for the notional 1 ha scheme including an assumption that all dwellings have to meet a residual s106 payment of £1,000 per dwelling and there is an additional cost to provide sprinklers.
- 4.17 There is an exception to this which relate to case studies 11 and 15. These are both sites with 3 dwellings and these will have higher build costs, which we allow for. At the same time, it is

considered that small sites (on a like for like basis) will generate higher selling prices. We have therefore allowed a 10% increase on market selling prices for these two case studies.

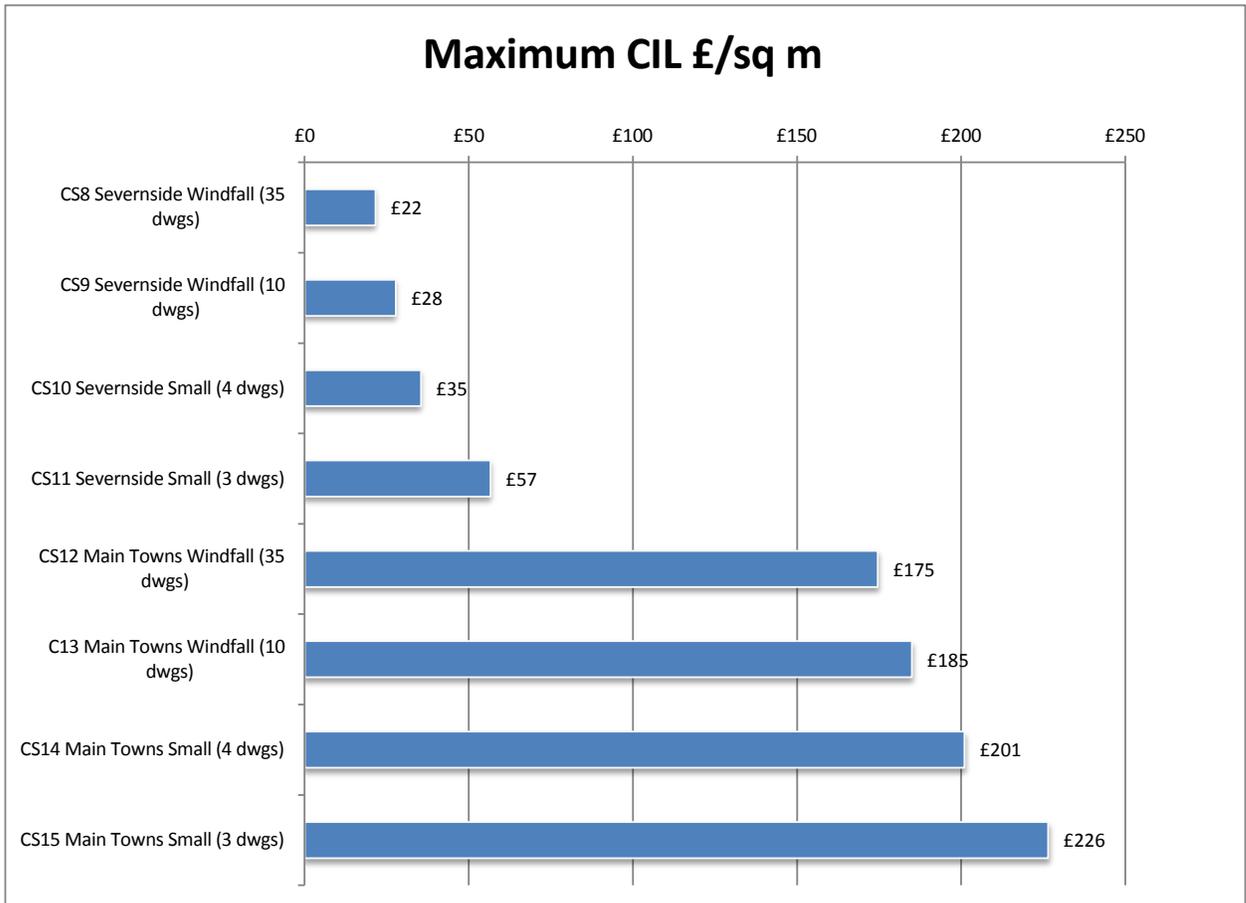
4.18 For the testing of case studies 12– 15 we use the Abergavenny value area. Abergavenny market values are similar to those of Monmouth and a little below those for Chepstow. Therefore Abergavenny is a realistic proxy for all three main towns in testing case studies 12 to 15.

Table 4-4 Small Case Study Characteristics

Case Study	Scheme	MVA	Dwgs	Net ha	Net to gross (%)	Development period	Market %	AH %
8	Severnside Windfall (35 dwgs)	Severnside	35	1.17	100%	1 year	75%	25%
9	Severnside Windfall (10 dwgs)	Severnside	10	0.33	100%	1 year	75%	25%
10	Severnside Small (4 dwgs)	Severnside	4	0.13	100%	1 year	75%	25%
11	Severnside Small (3 dwgs)	Severnside	3	0.10	100%	1 year	75%	25%
12	Main Towns Windfall (35 dwgs)	Abergavenny	35	1.17	100%	1 year	65%	35%
13	Main Towns Windfall (10 dwgs)	Abergavenny	10	0.33	100%	1 year	65%	35%
14	Main Towns Small (4 dwgs)	Abergavenny	4	0.13	100%	1 year	65%	35%
15	Main Towns Small (3 dwgs)	Abergavenny	3	0.10	100%	1 year	65%	35%

4.19 The results of the viability testing for the small case studies are set out in the following chart.

Figure 4-2 Case Studies 8 - 15 Maximum Potential CIL



- 4.20 Case studies 8 to 15 all generate residual values over the land value benchmark and therefore can potentially make some level of CIL payment.
- 4.21 Small developments in the main towns (whether allocated sites or windfalls) have sufficient surplus value to achieve a potential CIL of between £175 and £226 £s per sq m.
- 4.22 However, small sites in Severnside generate a much lower potential CIL payment. The smaller sites tested (at 3 and 4 dwellings) can potentially meet a higher CIL payment than the larger schemes at 10 and 35 dwellings. It is worth re-iterating that future land supply in Severnside does not rely on small sites, with a significant majority of supply delivered by the strategic sites.
- 4.23 The small site case studies for Severnside are based upon the dwelling mix advised by the Council and informed by the development workshop. This mix includes a variety of dwelling types. However, if a simplified mix composed of detached houses (2, 3 and 4 bedroom) is used instead then viability testing shows that higher CIL rates can be achieved, with 4 bedroom detached generally showing the best viability. In the case of CS8 it is possible to achieve a

maximum CIL of £47/sq m, CS9 can achieve £53/sq m, CS10 £60/sq m and CS11 £85/sq m¹⁶. This suggests that where viability is an issue it will be possible to amend scheme mixes to achieve better values.

Case Studies 16 -20

- 4.24 The adopted LDP includes a policy which allows some residential development in villages but only when this achieves a high proportion of affordable housing. The relevant extract from the LDP is shown below.

Figure 4-3 Extract from Monmouthshire County Council Local Development Plan – Policy S4

In the Main Villages identified in Policy S1:

- Development sites with a capacity for 3 or more dwellings will make provision for at least 60% of the total number of dwellings on the site to be affordable.

In the Minor Villages identified in Policy S1 where there is compliance with Policy H3:

- Development sites with a capacity for 4 dwellings will make provision for 3 dwellings to be affordable.
- Development sites with a capacity for 3 dwellings will make provision for 2 dwellings to be affordable.

- 4.25 We have tested this policy but only in the rural rest of Monmouthshire value area. There is no specific land value benchmark that can be easily identified for these sites as they are not available for other forms of development. However, it is highly unlikely that they would be brought forward if the residual value did not at least exceed agricultural land value.
- 4.26 The following table sets out the characteristics of the sites, which includes one larger scheme at 15 dwellings but with 4 different schemes of 3 or 4 dwellings. All assumptions are as for the 1 ha tile. However, we have considered the composition of the small case studies in more detail and have taken advice from the Council on the make up of the 15 dwelling scheme. Annex 3 includes details of the composition of these case studies.

¹⁶ All of these sensitivity tests include the policy proportion of affordable housing and the same affordable housing dwelling mix

Table 4-5 Details of Case Studies 16 to 20

Case Study	Scheme	MVA	Dwgs	Gross ha	Net ha	Net to gross (%)	Development period	Market %	AH %
16	Main villages Small (4 dwgs)	Rural	4	0.13	0.13	100%	1 year	40%	60%
17	Main villages Small (3 dwgs)	Rural	3	0.10	0.10	100%	1 year	40%	60%
18	Main Villages (15dwgs)	Rural	15	0.50	0.50	100%	1 year	40%	60%
19	Minor Village Small (4 dwgs)	Rural	4	0.13	0.13	100%	1 year	25%	75%
20	Minor Village Small (3 dwgs)	Rural	3	0.10	0.10	100%	1 year	33%	67%

4.27 The residual value generated by the schemes are set out in the table below. This demonstrates that all the schemes generate a value well in excess of agricultural land value and in some cases, a residual value per plot of over £20,000.

Table 4-6 Residual Value for Case Studies 16 to 20

Case Study	Scheme	MVA	Dwgs	AH %	Scheme Residual Value	Residual value/gross ha	Residual value per plot
16	Main villages Small (4 dwgs)	Rural	4	60%	£97,000	£746,154	£24,250
17	Main villages Small (3 dwgs)	Rural	3	60%	£79,000	£790,000	£26,333
18	Main Villages (15dwgs)	Rural	15	60%	£324,000	£648,000	£21,600
19	Minor Village Small (4 dwgs)	Rural	4	75%	£25,000	£192,308	£6,250
20	Minor Village Small (3 dwgs)	Rural	3	67%	£52,000	£520,000	£17,333

4.28 Case study 19 has the lowest residual value but, even here, the residual value is around 12 to 15 times agricultural land value.

4.29 For some of the case studies in this group (case studies 16 to 20), a small CIL payment may be theoretically possible but given the variations in viability of these site types, the prudent approach would be to exempt these sites from CIL.

Retirement Housing

4.30 The testing has also included a retirement housing scheme of 50 units on a 0.5ha plot, located in each of the value areas at the relevant affordable housing percentage. When tested against a threshold land value of £650,000 per gross hectare, the retirement schemes were only marginally viable in Monmouth and Chepstow, and not viable elsewhere (see Annex 6 for

details). On this basis, it is likely that retirement housing outside Monmouth and Chepstow will take place where it is able to achieve better values (or lower costs) than modelled here, or is able to take advantage of cheaper land. It remains possible that retirement schemes can make a contribution to affordable housing (most likely, but not exclusively, in Monmouth and Chepstow) but this will be on the basis of scheme-specific negotiations. However, it would be prudent to exempt all retirement housing from CIL.

Other Housing

- 4.31 Care homes are considered under the non-residential viability testing later in this report.
- 4.32 The Council has advised that there is no market for student accommodation in Monmouthshire and therefore there is no purpose in testing its viability nor any evidence on which to base any testing.

Summary

- 4.33 The potential CIL from the strategic sites varies, with the cost of site-specific infrastructure having more of an impact than location. Apart from the Wonastow Road site which is potentially able to support a CIL of over £200/sq m, the majority of the rest of the strategic sites are able to support a CIL of between £85/sq m to around £150/sq m. The clear exception to this is SAH7 Sudbrook Paper Mill which is viable but unable to support any meaningful CIL.
- 4.34 However if SAH3 Fairfield Mabey, SAH5 Rockfield Farm and SAH6 Vinegar Hill have to fund the maximum infrastructure costs identified then the potential CIL rate falls for these sites – to £0/sq m for SAH3 Fairfield Mabey and about £60/sq m for SAH5 Rockfield Farm and SAH6 Vinegar Hill.
- 4.35 There is an important general point about the strategic sites and that is the uncertainty about both the appropriate land value benchmark and the scale of costs the schemes will need to bear (both as s106 payments and to deal with site related development issues). This means that a generous viability buffer will be required in setting the CIL rate affecting the strategic sites.
- 4.36 Small sites in the main towns show relatively strong viability, with potential CIL rates of £175/sq m to £226/sq m. In Severnside, the small case studies generated much lower potential CIL levels (at around £20/sq m to £60/sq m). However it is possible to achieve better values on the smaller Severnside case studies (and a higher theoretical maximum CIL of about £50/sq m to £85/sq m) by changing the dwelling mix.
- 4.37 Village schemes required to provide a high percentage of affordable housing are very varied in the residual values they generate. It is very uncertain that they can generally make any CIL payments and remain viable.
- 4.38 Retirement housing produces a positive residual value in some parts of the County but is unable to support a CIL.

5 RESIDENTIAL VIABILITY CONCLUSIONS

Introduction

- 5.1 The process for developing potential CIL rates is a set of structured qualitative judgements which takes account of the type of development being tested and the role of this development type in delivering the adopted Local Development Plan. The process starts with the 1 ha tiles and uses the analysis to develop an initial view. This is then tested against the findings from the case study analysis to check whether the case study analysis suggest any amendment, with particular weight given to the site types that are important to plan delivery – such as the seven strategic sites.
- 5.2 The Local Development Plan extract from Policy S2 in section 4 provides a useful context for this analysis in that it sets out the quantum and spatial pattern of the planned development:
- The larger strategic sites are important to the delivery of the plan.
 - 18% of the total planned dwellings are expected to be on windfall sites, and of these 154 are in the lower value Severnside settlements (3% of the Plan total) and the rest are in the main towns and villages. Whilst windfall sites are important, it is noted that many of them are in the higher value areas in the County.

Synthesising the results

- 5.3 The figure below follows the process through the two stages. The CIL rates noted in the table are the **maximum theoretical rates** rather than recommended rates. We draw attention to the need for the council to set CIL rates that are not at the margin of viability and provide a buffer to allow for individual site circumstances and market change.

Figure 5-1: Considering the maximum theoretical CIL

Stage 1 – 1 ha tiles		
AH	Notes	Maximum CIL per sq m
25%	Sevenside 1ha tiles produce positive residual values above the standard £650,000/ha threshold land value at the three densities tested. However the viability headroom to support a CIL payment is very limited, particularly at lower development densities (as shown in the 1 ha tiles – max CIL of £22/sq m in Sevenside). Two of the three densities exceeded a potential CIL of £40/sq m.	£40
35%	Main towns and rural ‘rest of Monmouthshire’ produce positive residual values above the standard £650,000/ha threshold land value at the three densities tested. The viability headroom available to supports CIL payment is considerable, with almost all at least £160/sq m.	£160
<p>Stage 1 conclusions – Development types similar to the 1 ha tiles modelled are all viable. The viability suggests that a theoretical maximum CIL rate in main towns and rural ‘rest of Monmouthshire’ might be around £160/sq m, acknowledging that the lower density development in Monmouth will not be viable at this level. The lower values in Sevenside suggest that only a lower CIL can be supported for these types of site, up to say £40/sq m (acknowledging that the lower density development will not be viable). However, as noted in LDP S2, these sites will only make up a small proportion of the planned development.</p>		
□		
Stage 2 – Testing against the case studies		
AH	Notes	Maximum CIL per sq m
25%-35%	The strategic sites produce positive residual values above the appropriate threshold land values (£250,000-£300,000/ha for the five greenfield sites and £650,000/ha for the two brownfield sites) and are therefore all viable. All of the strategic sites are able to support a CIL with the exception of Sudbrook Paper Mill.	£85-£150/sq m
25%-35%	The small sites and windfalls in main towns and the rural ‘rest of Monmouthshire’ produce positive residual values above the standard £650,000/ha threshold land value and are viable, with sites are able to support a maximum theoretical CIL of between £175-£226/sq m. The small sites and windfalls in Sevenside also produce positive residual values above the standard £650,000/ha threshold land value and are viable, but the viability is less strong. As a result the maximum theoretical CIL is much lower in Sevenside, £20-£55/sq m unless the dwelling mix is adjusted to support £50-£85/sq m.	£175-£226/sq m in main towns and rural rest of Monmouthshire £20-£55/ £50-£85/sq m in Sevenside
60% - 75%	The small sites predominantly providing affordable housing in rural ‘rest of Monmouthshire’ all produce positive residual values of between £6,250 and £26,333 per plot. It may be theoretically possible to charge a CIL on some of these sites but the variation in viability (particularly when the affordable housing component is over 60%) suggests that a £0 CIL is prudent.	£0
25%-35%	Retirement housing schemes show positive residual values in some parts of Monmouthshire. However the variability suggests that a £0 CIL is prudent.	£0
<p>Stage 2 conclusions – Smaller site development in main towns and rural ‘rest of Monmouthshire’ demonstrates strong viability and is able to support a CIL of up to £175/sq m. A rate of around £85/sq m can be supported by the strategic sites except for Sudbrook Paper Mill which is not able to support a CIL.</p>		

- 5.4 The analysis above suggests that it is appropriate to set a CIL for residential development in Monmouthshire and that this should vary by location and type of site. In broad terms the potential maximum CIL in Monmouthshire is £85/sq m. The exceptions are:
- Sudbrook Paper Mill which has a maximum potential CIL rate of £0/sq m.
 - Windfall and small site development in the main towns, villages and rural rest of Monmouthshire, which has a maximum potential CIL of £160/sq m.
 - The theoretical maximum CIL rate for small sites in Severnside is £50-£85/sq m.
- 5.5 In order to maintain simplicity it may be worth considering the same rate for the Severnside small sites as the strategic sites across the county. While it is possible that this may render some small sites unviable in Severnside this type of development in this location is not critical to the delivery of the Local Development Plan.
- 5.6 If SAH3 Fairfield Mabey, SAH5 Rockfield Farm and SAH6 Vinegar Hill have to fund more infrastructure then the potential CIL rate falls for these sites. However there is some uncertainty about the real requirement and funding for the infrastructure concerned, and so it is difficult to recommend setting a CIL rate to accommodate this uncertainty.
- 5.7 The small village sites providing large proportions of affordable housing are not able to support a CIL.
- 5.8 Retirement housing is not able to support a CIL.
- 5.9 The guidance clearly suggests that a buffer is required so that the CIL is not set at the limits of viability. The table below illustrates the potential maximum recommended CIL with a 30% buffer.

Figure 5-2: Maximum theoretical CIL with a buffer

Location/type	Theoretical maximum CIL/sq m	Theoretical maximum CIL/sq m with 30% buffer
Strategic Sites except SAH7 Sudbrook Paper Mill	£85	£60
Small sites in Severnside	£85	£60
Small sites in main towns, villages and rural rest of Monmouthshire	£160	£110
SAH7 Sudbrook Paper Mill	£0	£0
Village schemes with above 35% affordable housing	£0	£0
Retirement housing	£0	£0

Summary

- 5.10 The potential CIL rates that the Council may like to consider are:
- Strategic Sites except SAH7 Sudbrook Paper Mill - £60/sq m

- Small sites in Severnside - £60/sq m
- Small sites in main towns, villages and rural rest of Monmouthshire £110/sq m
- SAH7 Sudbrook Paper Mill - £0/sq m
- Village schemes with above 35% affordable housing - £0/sq m
- Retirement housing - £0/sq m

5.11 On a 'typical' three bedroom semi-detached market house the proposed charges would be £4,800 on strategic sites and on small sites in Severnside, and £8,800 on small sites in main towns, villages and rural rest of Monmouthshire. This would be in addition to the typical £1,000/dwelling residual s106 and any of the obligations affecting development on the strategic sites. This compares to the current typical s106 payments of £6,000-£7,000 per dwelling.

6 NON-RESIDENTIAL TESTING ASSUMPTIONS

Introduction

- 6.1 Based on our understanding of Monmouthshire, previous experience and the Council's future development plans we have identified some 'typical' development typologies. These have been informed by empirical examples, but are not intended to represent any actual developments.
- 6.2 Whilst many developments may share the same use class, they are not necessarily the same use in terms of Section 13 of the CIL Regulations. Therefore we have tested a range of non-residential typologies within the same use class, as per the CIL regulations.

Retail Uses (A1)

- 6.3 We have developed a clear process for considering retail, where large format out of centre convenience retail continues to be one of the best-performing investment markets. The sector is characterised by strong yields and high land values. Hence it should be able to support high levels of development contributions. In contrast, high street retail is generally much weaker with less potential to contribute. If all retail is merged into one category, total receipts may be much less than they could be. On the other hand, if retail is split for CIL purposes, we need to ensure that the split is based on robust evidence.
- 6.4 We have based our A1 assumptions on five retail typologies:
- Supermarkets – Out of centre developments with a gross internal area of 1,200 sq m. These tend to have site coverage of substantially more due to car parking requirements, which we estimate at 50%.
 - Out of centre Retail Warehouse – Again, these are considered to be out of centre developments, with a gross internal area of 1,000 sq m, which we expect would to comprise of two or three large retailing units. Similar to Supermarkets there is a necessity to provide parking to reach these developments so we would expect similar site coverage.
 - Town Centre Retail (Comparison) – Smaller stand-alone units within a town centre. Typically these comprise of around 200 sq m which tends to cover the whole of the site.
 - Town Centre Retail (Convenience) – Similar to the above description for town centre comparison retailers, however, empirical evidence tends to suggest that these are on the whole marginally larger than comparison goods retailers, for instance the necessity to include bulky refrigerating devices etc.
 - Local store – Out of centre (Convenience) – This encompasses developments that are typical of local centres or standalone stores servicing residential areas. Here we are testing for developments that are 200 sq m. We also recognise that there may be a greater propensity for developments built near local centres to make provision for parking and have therefore tested for site coverage of 90%.

B1 Business Offices

6.5 We have used two B1 Office typologies:

- Town Centre office – We are testing 500 sq m with building foot print site coverage of 120% (development over 2 or 3 floors).
- Out of town development of gross 2,000 sq m building foot print site coverage of 40% (development over two floors).

6.6 We believe this correlates with the Employment Land and Premises Review’s recommendations of provision for smaller businesses, particularly ones that are able to share purpose built business parks and town centre developments.

6.7 The non-office B1 uses are covered by the B2/B8 uses discussed below.

6.8 We have used two B2 general industrial typologies:

B2 General Industrial

- Out of centre industrial – we have tested for a 1,000 sq m development. We believe this is an adequate size to cover a number of smaller workshops as required by the Employment Land and Premises Review. Site coverage for industrial units tend to be around 50%.

B8 Storage/Distribution

- As per B2 General Industrial, in practice the activity will have the same types of premises and similar values as the smaller B2 typology; i.e. warehouse of gross internal area of 2,000 sq m with a similar site coverage of 50%.

C1 Hotels

6.9 We have also tested for the provision of a hotel in line with the Local Development Plan’s ambitions to strengthen the local tourism industry. Consultation with relevant stakeholders suggest a 30 bedroom hotel of gross 800 sq m on two floors on an out of town site with 80% site coverage would be an appropriate potential scheme.

C2 Care Homes

6.10 In addition to residential development it is appropriate in Monmouthshire to also test different types of specific accommodation for the older population. To this end we have included a test for care homes of around 1,500 sq m.

Other uses

6.11 There are a range of other uses that we have considered, including community, social and Sui Generis such as theatres; hostels; scrap yards; petrol filling stations; shops selling and/or displaying motor vehicles; retail warehouse clubs; nightclubs; launderettes; taxi businesses; amusement centres; and casinos. The types of premises, value of uses and development costs for premises accommodating these types of activity will vary considerably; and this means that these uses cannot be treated in the same way as the other use classes.

6.12 Our approach to this issue has been to consider the types of premises and locations that may be used for the other and Sui Generis uses and assess whether the costs and value implications may have similarities with other uses. We have also considered the likely developments within the plan period as a guide to whether more detailed work might be useful.

- Education, health and community - We see this category as including, but not necessarily being limited to: schools, including free schools; community facilities, including community halls, community arts centres, and libraries; medical facilities; and emergency services facilities. A number of these facilities may be delivered in the area over the plan period and would potentially occupy net additional floorspace (thereby creating development which is liable for CIL).
- Theatres – very few new theatres are being developed in the UK and the exceptions – such as Chester – are in locations with large catchments, an existing foundation of extensive artistic activity and a local authority with the means and inclination to pay.
- Hostels providing no significant element of care – these are likely to be either charitable or public sector uses such as probation hostels, half-way houses, refuges, etc., or low cost visitor accommodation such as Youth Hostels. Our view is that the charitable uses are dependent upon public subsidy for development and operation, and therefore not viable in any commercial sense. Youth Hostels are operated on a social enterprise basis with small financial returns. Neither of these scenarios offers significant commercial viability.
- Scrapyards – there may be new scrapyard/recycling uses in Monmouthshire in the future, particularly if the prices of metals and other materials rise. Subject to consent these are likely to occupy the same sorts of premises as many B2 uses and therefore the viability will be covered by the assessment of the viability of B2 uses.
- Petrol filling stations – we are aware that the recent new filling stations have generally been as part of larger supermarket developments, with independent filling stations closing. It seems unlikely that there will be significant new stand-alone filling station development.
- Selling and/or displaying motor vehicles - sales of vehicles are likely to occupy the same sorts of premises and locations as many B2 uses and therefore the viability will be covered by the assessment of the viability of B2 uses.
- Retail warehouse clubs – these retail uses are likely to be in the same type of premises as the out of town A1 retail uses and covering the same purchase or rental costs. Therefore they are covered by this viability assessment.
- Nightclubs/Laundrettes/Taxi businesses/Amusement centres – these uses are likely to be in the same type of premises as A1 town centre retail uses and covering the same purchase or rental costs. Therefore they are covered by this viability assessment.

Establishing gross development value (GDV)

6.13 We use a range of information sources in setting benchmark land values and getting intelligent inputs to our residual value modelling. The regulations require Charging Authorities to use “appropriate available evidence” in setting their CIL Charge.

- 6.14 We source non-residential revenues from a range of sources, including:
- Generic websites, such as the RightMove, Zoopla and the Land Registry
 - Direct research with developers and agents operating in the area.
 - Information on land and property values has been taken from industry standard sources including the EGi, CoStar (Focus) and Property Week databases.
- 6.15 However, given the significant variety in development types, this report has also considered historic comparable evidence for new values on both a local, regional and national level.
- 6.16 The following table illustrates the values established for a variety of non-residential uses, expressed in sq m of net rentable floorspace. The table is based on our knowledge of the market and analysis of comparable transaction data. The data has then been corroborated through a discussion with local stakeholders and through the March 2014 development industry workshop.

Table 6-1 Non-residential uses – annual rent and yields

Use	Rent (£ Sq. m)	Yield
1: Town Centre Office	£90	8.00%
2: Business Park	£80	8.00%
3: Industrial	£50	13.00%
4: Warehouse	£35	13.00%
5: Local Store - Out of centre (Convenience)	£160	7.50%
6: Supermarket (Convenience)	£190	5.50%
7: Out of centre Retail Warehouse (Comparison)	£140	7.50%
8: Town Centre Retail (Comparison)	£165	9.00%
9: Hotel	£130	7.27%
10: Care homes	£3,700 (per bed)	7.00%
11: Town Centre Retail (Convenience)	£185	8.00%

Source: PBA research

- 6.17 In terms of care homes, there is much less comparable transactional data available specific to Monmouthshire in which to derive a square metre value. In the absence of this, Knight Frank’s research entitled “Care Homes, Trading Performance Review” offers a useful indication as to the likely rent per room. Their research indicates that rents for Care homes in Wales are in the region of £3,700 per room per annum. This is in line with comparable data from neighbouring locations.
- 6.18 Hotels are another sector where there is less comparable transactional data. Discussion with local agents advised a rental per square metre value between £120 and £140 per sq m per annum. This reflects what few transactions there have been in recent years where for example a budget hotel constructed nearby in 2008 by a national chain had a rental value of £114 per sq m per annum which is broadly in line with the values of £130 we have tested.

Site coverage

6.19 It is important to consider the density of development proposed. The following table summarises the assumed site coverage ratios for each development type.

Table 6-2 Non-residential uses – site coverage ratios

Use	Coverage
1: Town Centre Office	120%
2: Business Park	70%
3: Industrial	50%
4: Warehouse	50%
5: Local Store - Out of centre (Convenience)	90%
6: Supermarket (Convenience)	50%
7: Out of centre Retail Warehouse (Comparison)	50%
8: Town Centre Retail (Comparison)	100%
9: Hotel	80%
10: Care home	70%
11: Town Centre Retail (Convenience)	100%

Source: PBA research

Developer profit

6.20 The developer’s profit is the expected and reasonable level of return a private developer can expect to achieve from a development scheme. This figure is based a 20% profit margin of the total development value (GDV).

Build costs

6.21 Build cost inputs have been established from the RICS Build Cost Information Service (BCIS) at values set at the time of this study (current build cost values). The build costs are entered at a pound per square metre rate at the following values shown in the following table. The build costs adopted are based on the BCIS median values, indexed separately to Monmouthshire prices.

Table 6-3 Non-residential uses – build costs

Use	Build cost per sq m
1: Town Centre Office	£1,103
2: Business Park	£1,251
3: Industrial	£665
4: Warehouse	£440
5: Local Store - Out of centre (Convenience)	£945
6: Supermarket (Convenience)	£1,251

Use	Build cost per sq m
7: Out of centre Retail Warehouse (Comparison)	£615
8: Town Centre Retail (Comparison)	£907
9: Hotel	£993
10: Care home	£1,223
11: Town Centre Retail (Convenience)	£1,062

Sources: BCIS

6.22 In addition, an allowance of 10% of build costs is also made for external works such as car parking and landscaping.

Professional fees, overheads

6.23 This input incorporates all professional fees associated with the build, including: architect fees, planner fees, surveyor fees, project manager fees. The professional fees are set at a rate of 12% of build cost.

6.24 This variable has been applied to the valuation appraisal as a percentage of the total construction cost. This figure is established from discussions with both regional and national developers as well as in house knowledge and experience of industry standards.

Development contributions other than CIL

6.25 We have assumed for the purposes of testing that most development will still be expected to make s106/s278 etc. contributions to mitigate direct impacts of the development. These will often centre on highways improvements but could also relate to design and access. We have used a combination of looking at past agreements made with the council and utilising our knowledge of undertaking similar studies elsewhere. Clearly as these types of agreement are specific to individual developments we have had to take a pragmatic approach in our generic appraisals. We have basically assumed that higher impact and trip generating uses such as supermarkets will generally be expected to contribute the highest amounts, which are borne out when analysing past agreements. Smaller amounts have been attributed to the other uses as impact is often less significant and ability to pay(i.e. viability) often limits the level sought.

Finance

6.26 A finance rate has been incorporated into the viability testing to reflect the value of money and the cost of reasonable developer borrowing for the delivery of development. This is applied to the valuation appraisal as a percentage of the build cost at the rate of 6.5% of total development costs (including build costs, external works, professional fees, sales and marketing).

Sales costs

6.27 This variable is based on the average cost of legals and marketing for development, incorporating agent fees, 'on site' sales costs and general marketing/advertising costs. The rate of 3% of GDV is applied to the valuation appraisal as a percentage of the GDV and is established from discussions with developers and agents.

Professional fees on land purchase

- 6.28 This input represents the fees associated with the lands purchase and are based upon the following industry standards: Surveyor – 1%; Legals – 0.75% of residual land value.
- 6.29 A Stamp Duty Land Tax is payable by a developer when acquiring development land. This factor has been recognised and applied to the residual valuation as percentage cost against the residual land value at the standard variable rates set out by HMRC (0 – 4%).

Land for non-residential uses

- 6.30 After systematically removing the various costs and variables detailed above, the result is the residual land value. In order to ascertain the level of likelihood towards delivery and the level of risk associated with development viability, the resulting residual land values are measured against a benchmark value which reflects a value that a landowner would reasonably be expected to sell/release their land for development.
- 6.31 Establishing the existing use value (EUV) of land and in setting a benchmark at which a landowner is prepared to sell to enable a consideration of viability can be a complex process. There are a wide range of site specific variables which effect land sales (e.g. position of the landowner – are they requiring a quick sale or is it a long term land investment). However, for a strategic study, where the land values on future individual sites are unknown, a pragmatic approach is required.
- 6.32 Discussions with agents active in the commercial sector reveal there have been very few sales of commercial or employment land in the district over the past 5 years, largely arising from the moribund state of the commercial market caused by the recession. As a general figure, discussions with local agents indicated land values were generally in the region of £400,000 to £700,000 (per net hectare) depending largely upon location.
- 6.33 Transactional data from CoStar for Monmouthshire reveal values of an average of £375,000 per hectare. This has been predominantly used for industrial purposes in out of centre locations. Whilst this figure is a useful benchmark it should not be used as a one size fits all approach to values. In reality, land values vary considerably depending upon location and prospective use. For instance land within a town centre is likely to have a comparatively higher uplift value to more out of centre locations as there is a greater expectation on return. Similarly, as we can see from analysis of rental values, retail achieves higher returns than industrial and office sites and similarly will likely command a higher land value.
- 6.34 Taking all of this into account alongside discussion with local land values we feel the below land values are representative.

Table 6-4 Land Values

Use	Land Value (net hectare)
1: Town Centre Office	£800,000
2: Business Park	£500,000
3: Industrial	£400,000
4: Warehouse	£400,000

Use	Land Value (net hectare)
5: Local Store - Out of centre (Convenience)	£800,000
6: Supermarket (Convenience)	£1,000,000
7: Out of centre Retail Warehouse (Comparison)	£800,000
8: Town Centre Retail (Comparison)	£800,000
9: Hotel	£500,000
10: Care home	£500,000
11: Town Centre Retail (Convenience)	£800,000

Source: PBA research

7 NON-RESIDENTIAL VIABILITY ASSESSMENT

Introduction

- 7.1 This section sets out the assessment of non-residential development viability and also summarises the effect on viability of changes in values and costs, and how this might have an impact on the level of developer contribution. The tables below summarise the detailed assessments, and represent the residual value per square metres after values and costs, including land have been calculated.
- 7.2 It is important to note that the analysis considers development that might be built for subsequent sale or rent to a commercial tenant. However there will also be development that is undertaken for specific commercial operators either as owners or pre-lets.

B-class uses

- 7.3 In line with other areas of the country our analysis suggests that for commercial B-class development it is not currently viable to charge a CIL. Whilst there is variance for different types of B-space, essentially none of them generate sufficient value to justify a CIL charge. From our analysis, the viability of all four categories; Town centre offices, Business Parks, Industrial and Warehouses, are undermined by relatively poor rental values, particularly when compared to retail units.
- 7.4 As the economy recovers this situation may improve but for the purposes of setting a CIL we need to consider the current market. Importantly this viability assessment relates to speculative build for rent – we do expect that there will be development to accommodate specific users, and this will be based on the profitability of the occupier's core business activities rather than the market values of the development. We have tested offices, warehouses and industrial uses on a county-wide basis as there was little variance in costs or values across different locations.

Table 7-1 B-class development

Use	Town Centre Office	Business Park	Industrial	Warehouse
Residual value per sq m (inc. allowance for EUV + uplift)	-£734	-£983	-£680	-£470

Source: PBA research

Retail uses

- 7.5 As discussed in the previous chapter, five retail scenarios have been tested, namely; supermarkets, out of centre retail warehouses, town centre retail (convenience), town centre retail (comparison) and local stores. It was considered that these represent the most likely scenarios to come forward over the plan period and also allowed the testing of the type of development envisaged in the Plan.

Supermarkets

- 7.6 Large scale convenience retail continues to be one of the best performing sectors in the UK, although we are aware that even this sector is seeing reduced profits at the time of writing. Leases to the main supermarket operators (often with fixed uplifts) command a premium with investment institutions. Although there are some small regional variations on yields, they remain generally strong with investors focussing primarily on the strength of the operator covenant and security of income. We would therefore suggest the evidence base for large out of town convenience retail can be approached on a wider region or even national basis when justifying CIL charging. Following our appraisal on this basis in Monmouthshire we believe there is scope for a CIL charge for out of town centre convenience retail development without affecting viability.

Retail warehouse

- 7.7 Although this market has been relatively flat in recent times, especially in terms of new build, there may potentially be more activity in the future. Whilst values have dropped the relatively low build costs mean that there is still value in these types of developments when there is occupier demand. Our analysis therefore suggests there is reasonable scope for justifying CIL without adversely affecting viability.

Town Centre Retail (Comparison) and Town Centre Retail (Convenience)

- 7.8 Our testing indicates very little scope for charging CIL for town centre comparison and convenience retail units. There is insufficient value in town centre comparison development to set a levy. Whilst town centre convenience testing does show a positive value, it is not significant and may be considered as more marginal than out of centres retail uses.

Local Convenience (out of centre)

- 7.9 Local convenience stores are another area that could form part of the charging schedule, albeit not to the same degree as supermarket and retail warehouse units. In setting a suitable charge the authority should be mindful that setting a separate charge for small scale convenience, whilst possible, requires a more substantial evidence base to support a threshold for the development type. It should also be noted that within Monmouthshire because of its rural nature, potentially a lot of new convenience floorspace will either utilise existing floorspace or be under 100 sq. m. Therefore if the authority chooses to set out a more simple levy regime with a catch all charge for out of centre retailing, which is higher than a smaller convenience store has shown as viable then it is not considered that this will put at risk the provision of smaller units for the reasons set out above and would not significantly impact delivery of the Plan.

Summary

- 7.10 The appraisal summary shown in Table 7.2 is for all retail development. As discussed there is scope for charging, to various degrees, on all types except town centre stores. Our testing shows that residual values are lower for town centre comparison and convenience units than it is for out of town units such as supermarkets and retail parks. Whilst we have identified scope

for a charge, the authority may wish a to set a simple and less complex charging regime with a levy of zero for in centre development and a levy of up to £604 for out of centre development.

7.11 It should be noted that whilst out of centre development is shown as viable in respect of the generic models tested, there may be limited circumstances for specific types of retail development where a specific scheme’s viability may not be as positive. However, these will be very limited in number and are not considered as critical to delivery of the Plan as they have not been identified, therefore they have not been tested. If such a circumstance arises and a scheme is found to be unviable but otherwise is in accordance with Plan policy and objectives then, the Council, under the appropriate regulation, could choose to set out an exceptions policy to assist delivery of this and other proposals with similar circumstances.

Table 7-2 Summary of Retail uses

Use	Supermarket	Retail warehouse	Town Centre retail (Comparison)	Town Centre retail (Convenience)	Local store (Convenience)
Residual value per sq m (inc. allowance for EUV + uplift)	£604	£331	-£59	£68	£101

Source: PBA research

Hotel development

7.12 As can be seen in Table 7.3, hotel development in Monmouthshire does not realise sufficient residual value to warrant a positive levy charge.

Table 7-3 Hotel viability

Use	Hotels
Residual value per sq m (inc. allowance for EUV + uplift)	-£107

Source: PBA research

Care homes

7.13 We have tested the viability of the care sector. There has been significant private sector investment in care homes in recent years, fuelled by investment funds seeking new returns. However, there have been concerns about the occupancy rates and the ability to sustain prices, for instance, evidence provided by Knight Frank suggests income per bed for care homes in Wales is less than half of the UK average. The high level analysis suggests that care homes are unlikely to be viable enough in Monmouthshire.

Table 7-4 Care homes viability

Use	Care homes
Residual value per sq m (inc. allowance for EUV + uplift)	-£1,010

Source: PBA research

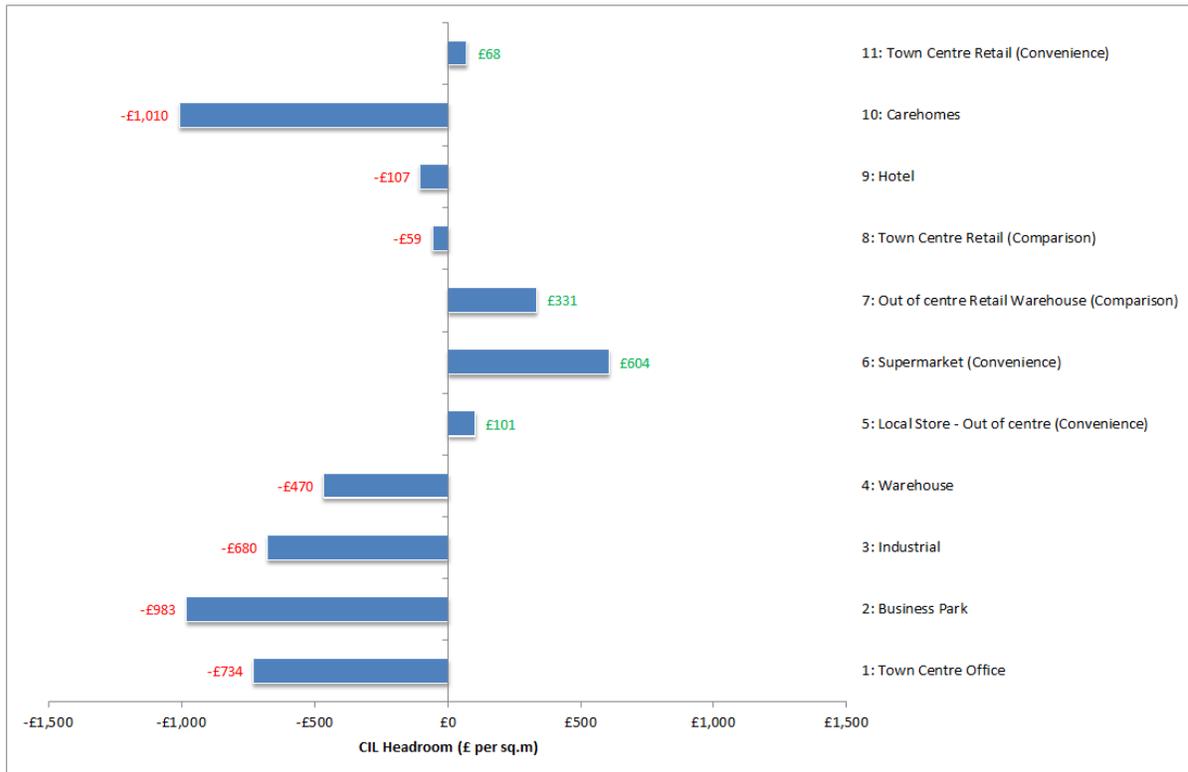
Other non-residential development

- 7.14 In addition to the development considered above there are other non-residential uses that we have considered. PAS guidance suggests that there needs to be evidence that community uses are not able to support CIL charges. Our view is that it would not be helpful to set a CIL for the type of facilities that will be paid for by CIL (amongst other sources).
- 7.15 Our approach to this issue is that the commercial values for community uses are £0 but there are build costs of around £1,800 per sq m plus the range of other development costs; with a net negative residual value. Therefore we recommend a £0 CIL for these uses.

Results summary

- 7.16 The following figure (7.1) illustrates the levels of value in our tested schemes when all costs have been subtracted from the values. As can be seen positive values exist for all convenience and out of town centre comparison retail development.
- 7.17 As can be seen below there is scope to charge a maximum of £604 per sq m for Supermarkets, £331 per sq m for Retail warehouse, £68 per sq m for Town centre convenience retail units and £101 per sq m for local store - out of centre convenience units.
- 7.18 The evidence suggests that a zero charge applies to all the other forms of non-residential development. All other tested uses show negative values, although, it is important to note that this does not mean that these uses will never come forward in Monmouthshire. Bespoke schemes with identified end users and land owners willing to sell at lower prices will enable development to come forward in the future.

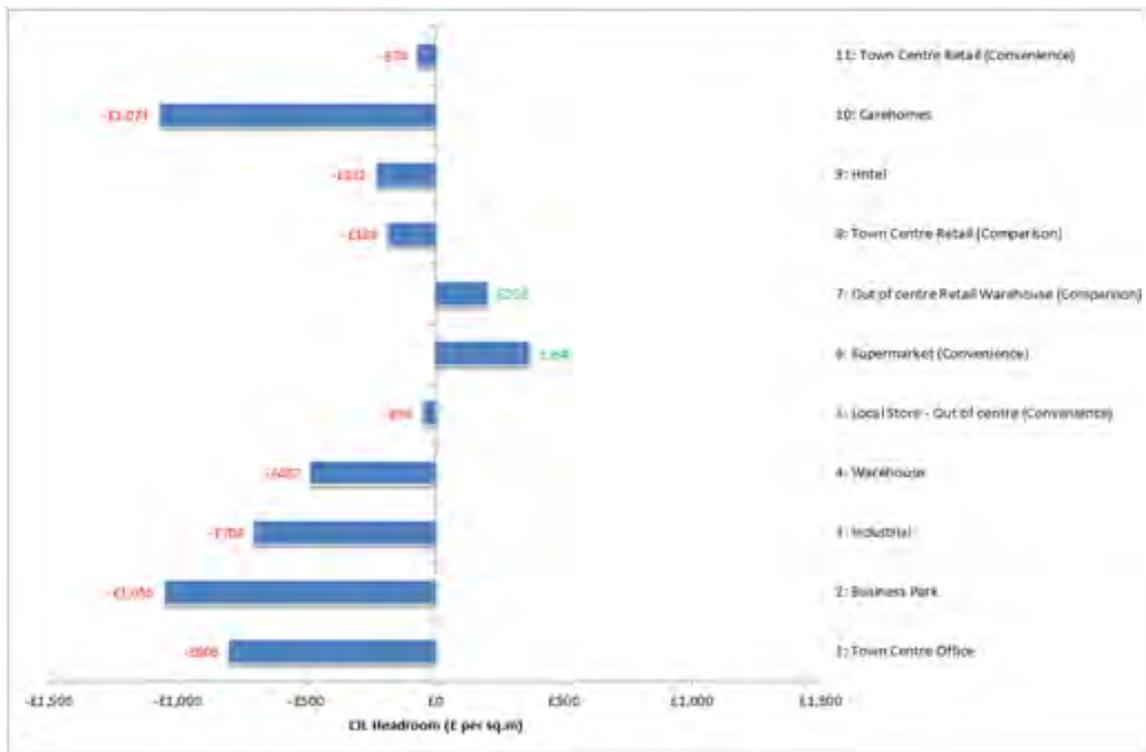
Figure 7-1 Scope for CIL



Source: PBA research

- 7.19 To help the council decide as to where they may wish to set their CIL rates we have also undertaken some sensitivity testing in terms of values rising and falling. This will assist the council by illustrating how sensitive particular uses are to shifts in the market. The council will need to decide in setting the rate how much they want to put at risk that particular development type and what effect non delivery would have on the plan delivery strategy. The sensitivity analysis will also help the council in thinking about suitable trigger points whereby a review of the CIL is required – for example if the economy worsens and retail values drop by 10% then it may be appropriate to lower or drop the charge. Alternatively if the economy recovers there may be scope to charge CIL on more uses in the future.
- 7.20 Figure 7.2 shows what will happen if there is depreciation in the values of 10%. As can be seen all of the retail units suggested are still viable with a depreciation of rents of 10%. Both supermarkets and out of town retail units appear relatively resilient to fluctuations in the rental market however, with these lower rental values, both town centre convenience units and local out of centre units become unviable. Therefore the council may wish to exercise caution for charging a levy on town centre units, particularly comparison units.
- 7.21 Based on these sensitivity test findings, if town centre retail comparison is an important part of the plan’s delivery strategy and the council is risk adverse, this sensitivity test would suggest that in the current climate whereby there is potential for values to drop, setting a lower charge may be appropriate.

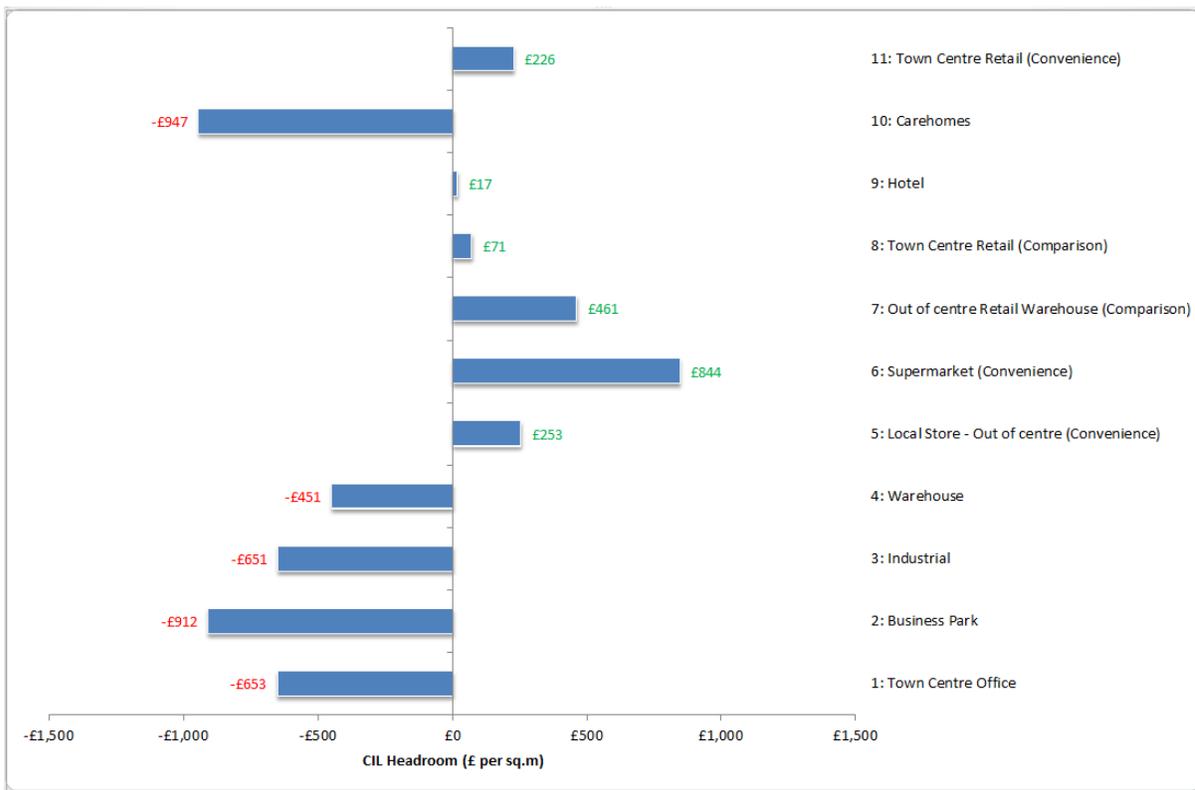
Figure 7-2 Sensitivity analysis – minus 10% on values



Source: PBA research

7.22 However if the council has a more optimistic view of the market and believes that values will rise, Figure 7.3 indicates that the retail uses identified are more viable. A 10% increase in rental values for hotels and town centre retail comparison units improves their viability from a negative to a positive value, however this is still only a very minimal figure and would be very difficult to justify a levy here. All other uses such as employment and care homes continue to be negative.

Figure 7-3 Sensitivity analysis – plus 10% on values



Source: PBA research

Synthesising the results

- 7.23 The assessment shown above illustrates the **maximum theoretical rates** rather than recommended rates. We draw attention to the need for the council to set CIL rates that are not at the margin of viability and provide a buffer to allow for individual site circumstances and market change.
- 7.24 Unlike the residential market where there is substantial supporting data on values and costs, viability assessment for commercial and other non-residential development is based on far fewer transactions both in terms of assessing development cost and values. Whilst we have analysed the best available data, the Council needs to be wary about setting CIL rates at the margin of viability if the form of development is important to the delivery of the Plan.
- 7.25 The only form of tested non-residential development that is sufficiently viable in Monmouthshire is retail development. As previously described the retail sector performs differently across the different types, i.e. convenience and comparison and in centre and out of centre. However in the interest of a simple charging regime as recommended by the guidance it is recommended that the authority take a two zone charging approach as opposed to scale or specific types and set a charge for in centre and a charge for out of centre development, utilising the existing policy boundaries for identified centres as set out in the Plan.

- 7.26 The charge for in centre, regardless of specific retail use would be £0 per sq. m, because the appraisals show that retail development in these locations of the type envisaged as likely to come forward would either be limited or marginal at best.
- 7.27 Out of centre is more complex as the maximums for the type of development that could come forward range from £101-£604 per sq m. The Council could choose a cautious approach and set the charge at the lowest denominator, however as discussed above it is considered that whilst a buffer should be applied that this should be to the middle use value (out of centre retail park/warehouse) of £331 per sq m, rather than the lowest value use (local out of centre convenience store) of £101 per sq m, as developments of this type are more likely to be either under the threshold or reuse existing floorspace and therefore not chargeable. Therefore as there is limited data of transactions it is recommended that a 40% buffer is applied in this instance, which means a recommended charge for out of centre retail development of £200 per sq m.

Summary

- 7.28 The potential CIL rates that the Council may like to consider are:
- Out of centre retail - £200 sq. m
 - All other non-residential development - £0 sq. m

ANNEX 1

Benchmark Land Values

Land value benchmarks

1. Establishing suitable land value benchmarks is an important part of any viability testing. Welsh Government guidance¹ states that viability is a key factor in striking the balance between collecting revenue and not setting rates too high (para 2.2); and that viability studies should concentrate on sites where the imposition of CIL may have an impact on viability (para 2.18). It is noted that land values across an area may already result in development becoming unviable or marginal and this needs to be considered (para 2.20).
2. Department for Communities and Local Government CIL guidance² applies in Wales and states that a charging authority should use 'appropriate available evidence', recognising that it is unlikely to be fully comprehensive and this will include values of land in both existing and planned uses (2.2.2.4).
3. The Advice for planning practitioners³ sets out a preferred approach in the following extract from page 29:

"We recommend that the Threshold Land Value is based on a premium over current use values and credible alternative use values (noting the exceptions below.....)."
4. The exceptions referred to in the Advice for planning practitioners reflect the significant differences in the types of current use found within settlements and on greenfield land adjoining settlements. The exceptions are summarised as:
 - Larger scale sites for urban extensions on greenfield land where the uplift on current use value (agricultural land) sought by the landowner will be significantly higher than in an urban context.
 - Smaller, edge-of-settlement greenfield sites, where landowners' required returns will be more like those for sites within the settlement.
5. Advice for planning practitioners states that reference to market values can still provide a useful 'sense check' on the benchmark values that are being used for testing, but it is not recommended that these are used as the basis for the input to a model. This is an important concept and explains why the land value benchmark used to test plan policies (and CIL rates) can be **less** than the value at which land is being traded in the market. This point was highlighted in a recent CIL examiner's report⁴:

"Finally the price paid for development land may be reduced. As with profit levels there may be cries that this is unrealistic, but a reduction in development land value is an inherent part of the CIL concept. It may be argued that such a reduction may be all very well in the medium to long term but it is impossible in the short term because of the price already paid/agreed for development land. The difficulty with that argument is that if accepted the prospect of raising funds for infrastructure would be forever receding into the future. In any event in some instances it may be possible for contracts and options to be re-negotiated in the light of the changed circumstances arising from the imposition of CIL charges." (para 32)
6. The Homes and Communities Agency is the housing and regeneration agency for England. As part of its work it is concerned with viability to ensure delivery of market and affordable

¹ Welsh Government, 2011, Community Infrastructure Levy Preparation of a Charging Schedule,

² DCLG, 2014, Community Infrastructure Levy Guidance

³ Local Housing Delivery Group, 2012, Viability Testing Local Plans

⁴ Report to The Mayor of London, by Keith Holland January 2012

housing. It provides some generic guidance on land value benchmarking⁵ which states that in relation to the required premium above existing use value (EUV):

“Benchmarks and evidence from planning appeals tend to be in a range of 10% to 30% above EUV in urban areas. For greenfield land, benchmarks tend to be in a range of 10 to 20 times agricultural value”. (page 9)⁶

7. Another report in 2011 also undertaken in England for the Department for Communities and Local Government⁷ also provides generic guidance on land value benchmarking. It suggested that a premium of 25% over existing use value was required to bring forward industrial land for redevelopment. The premium for greenfield land was said to be higher, recognising that while the existing use value base is low, the costs normally associated with realising new development on unserviced greenfield land are considerable.
8. For residential land, current use value is taken as industrial land for urban sites and agricultural land for strategic sites/urban extensions, with appropriate uplifts applied.

Implications for Residential Benchmark Land Values in Monmouthshire

9. The key factors to be taken into consideration are:
 - The land values used for the Affordable Housing Viability Study in the Local Development Plan, which was examined in 2013 and adopted in 2014.
 - Published research reports on land values.
 - Consultation with the development industry active in Monmouthshire.
 - Data from Land Registry.

Local Development Plan

10. The Monmouthshire Local Development Plan examination ended in October 2013 and the Plan was adopted in February 2014. The evidence base for this plan was also considered at examination and included land values as part of the Affordable Housing Viability Study (AHVS). The AHVS was originally undertaken and then updated in 2011 and 2012 to reflect progress in the LDP and to take account of market changes. The AHVS stated that

“Based on information from the Valuation Office Agency (VOA), local data and local industry experience a benchmark of £650,000 per hectare, allowing for an uplift on industrial land values (as an alternative/existing use), appears to be a realistic minimum level at which land might be expected to come forward for residential development.”

Published Land Value Research

11. Recent information on agricultural land values can be found through the reports published by estate agents. In 2014, Smiths Gore⁸ suggests that the value of farmland in Wales has risen since 2010, and varied between £20,000 and £28,000 per ha. Knight Frank stated that

⁵ Annex 1 (Transparent Viability Assumptions) to the Homes and Communities Agency guidance for its Area Wide Viability Model, August 2010

⁶ Homes and Communities Agency, 2010, Annex 1 (Transparent Viability Assumptions)

⁷ Turner Morum, 2011, Cumulative impacts of regulations on house builders and landowners

⁸ Smiths Gore, 2014, Farmland Market Great Britain 2014Q1

Wales farmland is between £11,000 per ha to £27,000 per ha in 2014⁹ (excluding upland grazing, which has less value).

12. The latest information from the Valuation Office Agency showed that cleared industrial development sites 0.5-1 ha in Cardiff had a value of £620,000 per ha in 2011¹⁰, although we acknowledge that this information is somewhat dated.
13. Elsewhere in South Wales, the residential benchmark land values referred to in the Caerphilly CBC CIL examination¹¹ were typically £500,000 per ha, although this fell to £200,000 per hectare in some areas. The benchmark land values in Merthyr Tydfil (jointly examined with Caerphilly¹²), ranged between £250,000 per ha to £500,000 per ha. In Caerphilly the examiner rejected evidence of higher value land transactions which were based on permissions with lower affordable housing. House price data¹³ shows that Monmouthshire has higher values than Caerphilly and Merthyr Tydfil and this may result in higher land values.

Consultation with the Development Industry

14. The development industry workshop held at Monmouthshire Council's offices in March 2014 discussed the proposed threshold land values of £650,000 per ha for urban sites based on an uplift on alternative use (taken to be industrial land) and £250,000 per ha for strategic greenfield sites. Development industry representatives considered that these values are low but no specific alternatives were put forward and it was acknowledged that there has been limited activity in recent years. Taking into account that the benchmark should represent what a realistic landowner might be willing to bring land forward for with policies in place rather than the highest values that might be achieved, £650,000/ha was considered acceptable. The development industry workshop did not suggest that there were specific different thresholds within Monmouthshire.
15. The discussion in the development industry workshop was supported by separate discussion with agents, which indicated land values for industrial and other non-residential development were in the region of £400,000 to £700,000 depending largely upon location.

Land Registry

16. Land registry is able to provide information on recorded sale prices in land titles. Titles were identified within the strategic site allocations in the Local Development Plan and a subset of these were able to reveal the price paid. This information from Land Registry shows that there have been agricultural value land transactions at £11,600 per ha to £14,500 per ha in Monmouthshire 2010-2012, similar to the data noted above.
17. There is also evidence of prices rising well above agricultural values as the residential development potential is identified as part of the site promotion process. The variation in these transaction values is large, both above and below the benchmarks suggested in the workshop. By itself, the transaction evidence does not indicate that the suggested benchmarks are incorrect although the paucity of transactions and spread of values mean

⁹ Knight Frank, 2014,

¹⁰ VOA, 2012, Property Market Report

¹¹ Philip Staddon, 2014, Report to Caerphilly CBC

¹² Philip Staddon, 2014, Report to Merthyr Tydfil CBC

¹³ Land Registry, 2014, House price index

that it would be difficult to set a benchmark on this evidence alone. The transaction data did not suggest that it was necessary to set specific benchmarks in different part of Monmouthshire.

Land Value Summary

18. As illustrated above, there is no single source of information or approach that can be drawn on to identify an appropriate land value benchmark. Furthermore the guidance suggests a composite view is taken based on premium over existing use, checked against market values.
19. There is a measure of consensus that £650,000 per gross ha is a suitable benchmark for urban sites. This figure is 60% over the estimated industrial land value. There is also some consensus that the £250,000 per gross ha is a suitable benchmark for strategic greenfield sites, which is 15-20 times agricultural values.
20. The benchmarks are applicable across Monmouthshire as there is no clear evidence to vary them by location.

ANNEX 2

Testing Assumptions

Residential Development Assumptions

All market value areas to be tested at 30dph, 40dph and 50dph.

The affordable housing requirements for each market value area are noted in the table below. These were provided by MCC.

% affordable housing

Market Value Area	% AH
Sevenside	25%
Market towns (Monmouth, Chepstow and Abergavenny)	35%
Rural rest of Monmouthshire	35%
	60%

The standard tenure make up for affordable housing is 50% social rent, 25% intermediate rent and 25% Homebuy (Equity Share, 50% average share size with no rent payment on unbought share).

The breakdown of units per tenure is as follows:-

%ages of total Affordable homes	Social Rent	Intermediate Rent	Homebuy	Total
1 bed flat	20%			20%
2 bed flat	10%	10%		20%
2 bed terrace	2.5%	15%	12.5%	30%
3 bed terrace	7.5%		12.5%	20%
4 bed terrace	10%			10%
Total	50%	25%	25%	100%

Rents (net of service charge)/week

House type	Social Rent	Intermediate Rent
1 bed flat	£78	£90
2 bed flat	£85	£110
2 bed terrace	£85	£115
3 bed terrace	£89	£135
4 bed terrace	£92	£160

Other Affordable Homes Costs

Model as capitalized net rent, without grant, with the following assumptions:-

Cost of management/ maintenance/ voids etc £1,500

Capitalisation Rate

6%

Mixes (for notional 1 hectare scheme)

For Market units

	30 dph	40 dph	50 dph
	%s	%s	%s
1 bed flat			
2 bed flat		5%	10%
2 bed terrace		10%	15%
3 bed terrace	10%	25%	40%
4 bed terr			
3 bed semi	15%	35%	15%
3 bed det	5%	5%	
4 bed det	60%	20%	20%
5 bed det	10%		

Dwelling sizes (in sq m GIA)

House type description	Affordable	Market
1 Bed Flat	48	45
2 Bed Flat	60	55
2 Bed Terrace	73	65
3 Bed Terrace	80	80
4 bed terrace	100	
3 Bed Semi		80
3 Bed Detached		85
4 Bed Detached		130
5 Bed Detached		155

Assume all flats are 1 - 2 storey. No circulation space allowed for flats.

Development costs

Build costs

£s /sq m – using Building Cost Information Service (BCIS 5) year median values, using location factor for Gwent with a 15% uplift for external works.

Houses £993

Flats £1,080 (assume 1 and 2 storey)

For small sites of 3 dwellings or less, BCIS indicates that build costs will be higher. For small sites we have therefore used a 10% increase over the figures noted above.

Houses £1,092

Flats £1,188

For the retirement case study site, a build cost of £1,163/ sq m has been used.

Additional build costs per dwelling

- Sprinklers £3,075/house
£879/flat

Other development costs

- Professional Fees % 10% of build costs
- Finance 6% of build costs
- Marketing Fees 3% of market value
- Developers Return 20% of GDV
- Contractors Return 6% of development costs
- Agents Fees 2.0%
- Legal Fees 0.5%
- SDLT Variable

DCF Assumptions (for larger case study sites)

- Debit Interest Rate 6%
- Credit Interest Rate 2%
- Annual Discount Rate 3.5%

Residual s106 costs

£1,000 per dwelling (market and affordable)

Market Values

	Abergavenny	Chepstow	Monmouth	Sevenside	Rural rest of Monmouthshire
1 bed flat	£115,000	£120,000	£125,000	£100,000	£115,000
2 bed flat	£130,000	£140,000	£140,000	£120,000	£130,000
2 bed terrace	£170,000	£180,000	£180,000	£140,000	£170,000
3 bed terrace	£190,000	£200,000	£190,000	£170,000	£190,000
3 bed semi	£190,000	£210,000	£190,000	£170,000	£200,000
3 bed detached	£210,000	£215,000	£195,000	£185,000	£215,000
4 bed detached	£300,000	£330,000	£290,000	£260,000	£330,000
5 bed detached	£350,000	£380,000	£320,000	£290,000	£380,000

On case study sites of 3 units or less, the selling prices listed above have been uplifted by 10% to reflect the higher prices achievable on small sites.

Retirement Housing Market Values used are as follows

	Abergavenny	Chepstow	Monmouth	Sevenside	Rural rest of Monmouthshire
1 bed flat	£173,000	£180,000	£188,000	£150,000	£173,000
2 bed flat	£215,000	£231,000	£231,000	£198,000	£215,000

Retirement Housing scheme

- 50 unit - 20x1 bed (50 sq m), 30x2 bed (75 sq m).
- 25% of total area is communal (non-saleable) space

Retirement Housing affordable housing assumptions are the same to those used in the other case studies:

- 50% shared ownership
- 50% intermediate rent
- Use intermediate rents - 1 bed £90, 2 bed £110

Other retirement housing assumptions are:

- Marketing – 6%
- Empty Property costs allowed - £120,000 (as scheme built before any significant number of occupations) for utilities, staff etc.

Retirement housing delivery:

- 12 months until 1st sale.
- 40% sales in yr 1
- 30% sales in yr 2
- 30% sales in yr 3

ANNEX 3

Case Study Profiles

Large Case Studies

AREA/ LOCATION/ DETAILS											
Case Study	Scheme	MVA	Dwgs	Gross ha	Net ha	Net to gross (%)	Opening Up Costs (Strategic sites)	Additional Development Costs	Development Rate; Dev Period	Market %	AH %
STRATEGIC SITES											
1	SAH1 Deri Farm Abergavenny	Abergavenny	250	8.70	7.70	89%	100,000	4,250,000	20pa yr 1 then 40 pa; 7 yrs	65%	35%
2	SAH2 Crick Road Portskewett	Severnside	285	9.95	7.70	77%	100,000	120,000	55pa; 6 yrs	75%	25%
3.1	SAH3 Fairfield Mabey, Chepstow (alt 1)	Chepstow	350	13.10	9.50	73%	100,000	3,600,000	40pa yr 1 then 80 pa; 5 yrs	65%	35%
3.2	SAH3 Fairfield Mabey, Chepstow (alt 2)	Chepstow	350	13.10	9.50	73%	100,000	5,290,000	40pa yr 1 then 80 pa; 5 yrs	65%	35%
4	SAH4 Wonastow Rd Monmouth	Monmouth	450	19.61	16.46	84%	100,000	420,000	62pa yr 1 then 100 pa; 5 yrs	65%	35%
5.1	SAH5 Rockfield Farm Undy (Alt 1)	Severnside	270	9.00	7.45	83%	100,000	1,700,000	55pa; 5 yrs	75%	25%
5.2	SAH5 Rockfield Farm Undy (Alt 2)	Severnside	270	9.00	7.45	83%	100,000	1,970,000	55pa; 5 yrs	75%	25%
5.3	SAH5 Rockfield Farm Undy (Alt 3)	Severnside	270	9.00	7.45	83%	100,000	400,000	55pa; 5 yrs	75%	25%
6.1	SAH6 Vinegar Hill Undy (Alt 1)	Severnside	225	7.81	6.91	88%	100,000	2,000,000	50pa; 5 yrs	75%	25%
6.2	SAH6 Vinegar Hill Undy (Alt 2)	Severnside	225	7.81	6.91	88%	100,000	2,320,000	50pa; 5 yrs	75%	25%
6.3	SAH6 Vinegar Hill Undy (Alt 3)	Severnside	225	7.81	6.91	88%	100,000	450,000	50pa; 5 yrs	75%	25%
7	SAH7 Paper Mill Sudbrook	Severnside	190	6.60	6.60	100%	100,000	38,000	50pa; 4 yrs	75%	25%

Note – opening up costs are per net hectare.

Small Case Studies

Case Study	Scheme	MVA	Dwgs	Net ha	Net to gross (%)	Development period	Market %	AH %
8	Severnside Windfall (35 dwgs)	Severnside	35	1.17	100%	1 year	75%	25%
9	Severnside Windfall (10 dwgs)	Severnside	10	0.33	100%	1 year	75%	25%
10	Severnside Small (4 dwgs)	Severnside	4	0.13	100%	1 year	75%	25%
11	Severnside Small (3 dwgs)	Severnside	3	0.10	100%	1 year	75%	25%
12	Main Towns Windfall (35 dwgs)	Abergavenny	35	1.17	100%	1 year	65%	35%
13	Main Towns Windfall (10 dwgs)	Abergavenny	10	0.33	100%	1 year	65%	35%
14	Main Towns Small (4 dwgs)	Abergavenny	4	0.13	100%	1 year	65%	35%
15	Main Towns Small (3 dwgs)	Abergavenny	3	0.10	100%	1 year	65%	35%

Other Case Studies

Case Study	Scheme	MVA	Dwgs	Gross ha	Net ha	Net to gross (%)	Development period	Market %	AH %
16	Main villages Small (4 dwgs)	Rural	4	0.13	0.13	100%	1 year	40%	60%
17	Main villages Small (3 dwgs)	Rural	3	0.10	0.10	100%	1 year	40%	60%
18	Main Villages (15dwgs)	Rural	15	0.50	0.50	100%	1 year	40%	60%
19	Minor Village Small (4 dwgs)	Rural	4	0.13	0.13	100%	1 year	25%	75%
20	Minor Village Small (3 dwgs)	Rural	3	0.10	0.10	100%	1 year	33%	67%

ANNEX 4

Development Industry Workshops 18th March – notes

Monmouthshire County Council
Community Infrastructure Levy – Development Industry Workshop
18th March 2014

Organisations attending the workshop:

- Taylor Wimpey
- Edenstone Homes
- Monmouthshire Housing Association
- Melin Homes
- Persimmon Homes
- Savills
- Johnsey Estates
- Martin Davies (MD), Monmouthshire County Council
- Shirley Wiggam, Monmouthshire County Council
- Rachel Jones, Monmouthshire County Council
- Jane Coppock, Monmouthshire County Council
- Deb Hill-Howells, Monmouthshire County Council
- Ben Winstanley, Monmouthshire County Council
- Lin Cousins (LC), Three Dragons
- Dominic Houston (DH), Three Dragons
- Mark Felgate (MF), PBA

MD welcomed everyone to the workshop.

Community Infrastructure Levy (CIL) Introduction

LC introduced CIL and described how it operates and process for setting CIL. She explained that CIL applies to all development (that people go into) and is based on a payment rate per sq m. The rate could be set at £0. Setting rates for a local authority area must be based on viability evidence and not policy considerations. Presentation slides for this section of the workshop are shown in the Annex.

Workshop attendees who wanted to understand better the process for setting CIL and the stages of consultation may find the following WG publication helpful -

<http://wales.gov.uk/docs/desh/publications/110912cilleafleten.pdf>. DCLG has also published CIL guidance.

Other questions raised were:

- What happens about brownfield versus greenfield sites (brownfield sites have extra costs and an established use value – both factors need to be taken into account – LC indicated that if viability analysis indicated the need for a lower CIL rate, this could be accommodated in a charging schedule (as long as a distinct zone could be identified on an OS base).
- How is CIL reviewed? What triggers a review? - LC explained that it was up to the charging authority when a review takes place but when this happens, the authority need to complete a full CIL setting process.

Update on Local Development Plan and Introduction of CIL

MD explained that the LDP has been found sound by the planning inspector who presided over its examination and is currently subject to a 6 week period for legal challenge. The onward timetable is as follows:

Monmouthshire Local Development Plan

- Adopted 27 February 2014
- Six week legal challenge period from 6 March 2014

Level of Growth

- 450 dwellings per year 2011-21
- Provision for a total of 4,500 dwellings 2011-2021 by identifying opportunities for 4,950 dwellings to enable a 10% flexibility allowance

The level of growth set out in the LDP is:

Achieving the LDP Level of Housing Growth

	Dwellings
Committed 1/4/13	1012
Completions 2011 -2013	596
Large Site Windfall	338
Small Site Windfall	566
New Site Allocations	2445
Total	4957

MD set out the key housing allocations in the Plan and highlighted that the new site allocations account for about half of housing supply over the plan period (2011 to 2021) at 2,445.

The 7 strategic sites in the LDP are:

Strategic Housing Sites

Location	Dwellings
Abergavenny/Llanfoist – Deri Farm, Mardy	250
Caldicot/Portskewett – Crick Road, Portskewett	285
Chepstow – Land at Lower Chepstow (Fairfield Mabey)	350
Monmouth – Land at Wonastow Road, Monmouth	450
Magor/Undy – Rockfield Farm, Undy	270
Magor/Undy – Land at Vinegar Hill, Undy	225
Sudbrook, Former Paper Mill	190
Total	2,020

MD outlined that there is also a series of smaller housing sites as follows:

Smaller Housing Sites

Sites	Dwellings
Wyesham	35
Coed Glas, Abergavenny	60
Usk	20
Penperlleni	65
Raglan	45
Total	225

- Rural Allocations (200 dwellings)
 - 17 'Main Villages'
 - Maximum 15 dwellings per site
 - To provide affordable housing for local people
 - Affordable/Market Split 60:40

MD outlined the council's approach to s106 and CIL. MCC has a draft infrastructure plan that sets out requirements associated with delivery of the Plan. Policy S7 in the Plan sets out a list of infrastructure requirements to be met and indicates priorities for delivery.

If CIL is introduced it will be used for strategic and place making elements as follows:

Council's Approach to s106/CIL - 3

- s106 to provide site infrastructure plus scaled back S106 on-site requirements (e.g. play areas at, say, £1,000 per dwelling)
- CIL to be used for more general 'place making' schemes, e.g.
 - Green Infrastructure
 - Sustainable transport
 - Education
 - Strategic sports/leisure/adult recreation
 - Town centre improvements
 - Digital (i.e. broadband)

In answer to a question from a workshop attendee, MD stated that CIL could to be used to fund drainage infrastructure if the council chooses to include this in their R123 list (yet to be decided), but care would be needed to ensure that CIL was not used to fund infrastructure that was the responsibility of Welsh Water. MD also emphasised that, in terms of sites allocations, no issues had been raised re flooding issues for the sites (that had not already been taken onto account in the allocation).

LC explained that the CIL Regulations allowed for different CIL rates (even £0 CIL rates) for different areas and that this could include, subject to the viability testing, rural sites where the council's priority is delivery of affordable housing.

MD emphasised that the council appreciates the importance of balancing s106 requirements and use of CIL (and how it is set).

The timetable for preparation of the CIL is as follows:

Council's Approach to s106/CIL - 4

- Timetable:
 - Development industry workshop 18th March
 - Finalise all testing assumptions (including strategic sites) - end March
 - Testing completed - mid April
 - Draft final report - end April
 - Report finalised - May 12th
- Council resolution to consult on Draft Charging Schedule June/July

Non-residential development testing approach and assumptions

MF described the types of non-residential uses that it was intended to test. This was agreed by the workshop.

Non residential uses – are these the right ones?

	GIA sq.m	Net site area (ha)
1: Town Centre Office	500	0.04
2: Business Park	2,000	0.29
3: Industrial	1,000	0.20
4: Warehouse	2,000	0.40
5: Local Store - Out of centre (Convenience)	200	0.02
6: Supermarket (Convenience)	1,200	0.24
7: Out of centre Retail Warehouse (Comparison)	1,000	0.20
8: Town Centre Retail (Comparison)	200	0.02
9: Hotel	800	0.10
10: Carehomes	2,600	0.37
11: Town Centre Retail (Convenience)	250	0.03

MF then reviewed the assumptions to be used.

Non-residential model assumptions

- Building costs: £ per GIFA sqm (BCIS)
- Add on external works = +10%
- Project/design team fees = 10% of build costs
- Contingency – 5% of construction costs
- Marketing, legal and sales – 4% of GDV
- Finance – 6.5% of development cost
- Market incentive based on rent free periods (3 months?)
- Developer return – 20% of GDV incl: overheads

Build costs assumptions

	£/Sqm
1: Town Centre Office	£1,103
2: Business Park	£1,251
3: Industrial	£665
4: Warehouse	£440
5: Local Store - Out of centre (Convenience)	£785
6: Supermarket (Convenience)	£1,073
7: Out of centre Retail Warehouse (Comparison)	£615
8: Town Centre Retail (Comparison)	£785
9: Hotel	£993
10: Carehomes	£1,223
11: Town Centre Retail (Convenience)	£846

Land value assumptions

1: Town Centre Office	£800,000
2: Business Park	£500,000
3: Industrial	£400,000
4: Warehouse	£400,000
5: Local Store - Out of centre (Convenience)	£800,000
6: Supermarket (Convenience)	£1,000,000
7: Out of centre Retail Warehouse (Comparison)	£800,000
8: Town Centre Retail (Comparison)	£800,000
9: Hotel	£500,000
10: Carehomes	£500,000
11: Town Centre Retail (Convenience)	£800,000

Workshop generally felt that rent free periods – should be longer than 3 months and 12 months was put forward.

In reply to a Q – MF noted that acquisition costs would be included in the analysis and using the following assumptions

Post meeting note – for clarity the following sets out the assumptions regarding sales and land purchase costs:

Sale costs	Industry standards	These rates are based on industry accepted scales at the following rates: Legals, surveyors, marketing etc	4.0%	Gross development value
Professional fees on Land Purchase	Industry standards	Fees associated with the land purchase are based upon the following industry standards: Surveyor - Legals -	1.00% 0.75%	

Generally development funding is not available without a pre let in place. There may be more funding available but rates are still high. DH explained that finance assumed for 100% of the development. In reality this is likely to be a mix of borrowed and equity money. Workshop indicated that interest rates are on the increase and LC asked for any further information to justify higher interest rates in the testing.

Require a 7/8% interest costs. Lenders are still looking for a higher rate of return. Situation is not as bad as 2 or 3 years ago but still considered to be risky.

Require 25/30% return on value was suggested but MF explained that the consultant team would need to see some evidence to change a figure that has generally been accepted elsewhere i.e. why is Monmouthshire different?

MF set out assumptions on rent and yields and explained that these were sourced from property transaction databases and reports such as CoStar Focus and Estates Gazette.

Rent and yield assumptions

	Rent	Yield
1: Town Centre Office	£90	8.00%
2: Business Park	£80	8.00%
3: Industrial	£51	13.00%
4: Warehouse	£35	13.00%
5: Local Store - Out of centre (Convenience)	£152	8.00%
6: Supermarket (Convenience)	£190	5.50%
7: Out of centre Retail Warehouse (Comparison)	£140	7.50%
8: Town Centre Retail (Comparison)	£165	8.50%
9: Hotel	£130	7.27%
10: Carehomes	£3,700	7.00%
11: Town Centre Retail (Convenience)	£185	8.00%

No comments were offered as to whether the proposed figures were correct. MF stated that he would undertake further consultation with local agents and asked for suggestions of who to speak to consult.

MF explained that lack of activity in Monmouthshire means have had to widen search to include surrounding areas.

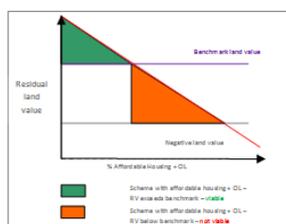
Comments indicated that it was important to understand the hotel market and that future development was likely to be budget hotels – modelling must reflect the way the hotel market operates.

Land values – no immediate comments were received.

Residential development approach and assumptions

DH set out the overall approach to be taken to the assessment of viability, using a residual value approach as follows:

Residual value approach



Total development value
Minus
Development costs (incl. build costs and return to developer)
=
Gross residual value
Minus
CIL + planning obligations (including AH)
=
Net residual value (available to pay for land)

DH noted that the consultant team would make use of the guidance set out in the Harman report (*Viability Testing Local Plans - Advice for planning practitioners*)¹⁴ MD commented that the 'Harman guide' is being used widely by local authorities in Wales. Workshop agreed that this is not a problem but the viability testing must take into account specific Welsh issues. DH also noted that the DCLG CIL guidance is also common across England and Wales.

The principles by which the modelling is to be undertaken were set out as follows:

What assumptions to use

- Current costs and values
- Must take into account all plan policies (with a viability implication)
- Must allow for affordable housing
- Must allow for realistic 'scaled back' s106

DH explained the approach to identifying the land value threshold to be used. As with the previous studies, two thresholds are to be used (per **gross hectare**) - £650,000 for sites generally and £250,000 for larger scale strategic sites. The former is over 30% above CUV (industrial/commercial) and the latter is over 15 times agricultural land value at £15k per hectare.

Threshold Land Values

Site Type	Value per gross hectare	Notes
Generally	£650,000	Over 30% premium over industrial EUV
Strategic sites	£250,000	About 15 times agricultural value

The workshop generally considered that these values are too low but no specific alternatives were put forward and it was acknowledged that there has been limited activity in recent years. The consultant team also emphasised that the benchmark should represent what a realistic landowner might be willing to bring land forward for with policies in place; the benchmark was not intended to represent the highest values that might be achieved in the market today. Through debate it became clear that different measures were being used when discussing land values— including a value per **net** hectare and a value for the element of schemes that is market

¹⁴ The guide was published in June 2012 and is the work of the Local Housing Delivery Group, chaired by Sir John Harman, which is a cross-industry group, supported by the Local Government Association and the Home Builders Federation.

housing only. It also became clear that views on threshold land values depended on the stage of the development process, with some land cost suggestions referring to development-ready land with consent.

It was noted by one attendee that the average land cost per dwelling was £8/10k per plot at the previous policy of 20%. Through this discussion it was suggested that for 40 units or more with 20% affordable housing (as under the former unitary development plan) and some open space and highways obligations, £650k/ha was acceptable.

LC asked for evidence of land values within 2 weeks (say by 11 April). Consultant team will also explore available data further and, with feedback from the workshop, provide a separate land value note for workshop attendees.

LC noted that experience to date in Wales allowed testing below AH policy.

Testing 1 ha scheme

Minimum density to be tested should be 30 dph generally. Densities at c 50 dph relevant only to town centres – these densities are not found in more rural developments.

DH presented the following notional mix for a 30 dph scheme:

What to test – 1 ha scheme

Dwelling type	Market dwellings	Affordable dwellings
1 bed flat		2
2 bed flat		1
2 bed terrace		2
3 bed terrace		1
4 bed terrace		1
3 bed semi	2	
3 bed detached	6	
4 bed detached	14	
5 bed detached	1	
Total	28	7

- What densities to test? – 30, 40 and 50 dph for the AH study
- Mix on left - 30 dph at 25% AH – based on recent applications. Any views? Should it include smaller market units? (We will take away and develop other mixes for feedback)

Workshop comments:

- Mixes are moving towards the middle of the market – with an emphasis on 3 bed detached and small 4 bed detached; and flats are not favoured as a market product, although may be required for affordable housing.

Post meeting note – in light of the workshop comments, following revised mix for market housing put forward for further comment:

Type	%	Dwg size sq m GIA
2 bed terrace	15%	60
3 bed terrace	15%	70
3 bed detached	20%	85
4 bed detached (small)	20%	110
4 bed detached (large)	30%	140
5 bed detached	Nil	160

Consultant team will review this proposal in light of mixes for recent permitted developments.

DH then presented the proposed case studies and assumptions for testing:

What to test - case studies

Notional Sites	Dwellings	Net to gross
Severnside strategic sites	300	*90%
Market Towns strategic sites	300	*90/100%
Severnside windfall	100, 35 and 10	85%-100%
Market Towns windfall	100, 35 and 10	85%-100%
Severnside small sites	5, 4 and 3	100%
Market Towns small sites	5, 4 and 3	100%
Main Villages small sites	4, 3 and 2	100%

- Net to gross - * as previously tested (not Sudbrook)
- Delivery pace
 - Large sites 1-2 year to first completions, max 60 completions pa
 - Smaller sites 30-35pa, complete within a year

Workshop comments:

- Net/gross development area must allow for the LPA standard for open space – NPFA standards (Policy CRF2) and which include play (likely provided on site) and other open spaces (with details of provision sorted out on a site by site basis);
- Some attendees suggested that viability analysis should be on basis of net developable area so that issues around net/gross area of sites would be minimised;
- Maximum pace of development is 50 per developer but schemes over 250 dw would expect 2 developers to be active and therefore assume a max annual pace of 80 to 100 dwellings per annum (say 90 dw per annum).

Market values

DH presented following notional market values for new houses. He explained that the values were derived from a number of sources including Land Registry data for new build properties 2011 to 2012. This had been supplemented by available information for 2014 sales (of current properties on the market - deducting 8% from asking prices to derive best estimate of actual sales values).

Market Housing Values

Type/location	Abergavenny	Chepstow	Severnside	Monmouth	Rural
1 bed flat	£114,000	£123,500	£104,500	£114,000	£118,750
2 bed flat	£126,000	£136,500	£115,500	£126,000	£131,250
2 bed terrace	£180,500	£190,000	£156,750	£185,250	£171,000
3 bed terrace	£199,500	£210,000	£173,250	£204,750	£189,000
3 bed semi	£205,000	£215,000	£200,000	£200,000	£210,000
4 bed detached	£350,000	£360,000	£270,000	£290,000	£330,000
5 bed detached	£385,000	£396,000	£297,000	£319,000	£363,000

Data = 3 years Land Registry (new only) + current sales (92% asking price)
 Market appears to be driven by detached properties – certainly not flats (5 in 2013!)
 Severnside – big increase on AHVS values – Caerwent development – how typical?
 Monmouth and Chepstow – very little market evidence (even with 3 years data)

Workshop comments:

- Reflecting earlier comments about typical mixes – market values for 3bed detached and small 4 bed detached need to be sourced. Small 4 bed at c 1200 sq ft;

- Caerwent is not typical for Severnside and the values for Severnside should be amended to reflect this;
- Persimmon selling in Monmouth – 3 bed semis at £150K and struggling (note average Land Registry sales price for new build semi detached in Monmouth in 2013 was £191,000 but sample size very limited)
- Alternative approach to market values is to identify an average price per sq ft for each location – which will vary with mix of dwellings in a scheme – depending on relative values for different dwelling types. Suggested values from developers present as follows:
 - Abergavenny/Monmouth - £185 per sq ft;
 - Severnside similar
 - Chepstow will be higher than this
 - Rural areas are very mixed but suggested at £175 per sq ft

Post workshop note – consultant team to review market values in light of workshop feedback and analysis of actual per sq m sales values. Separate note to follow.

Dwelling size

The following presented as average dwelling sizes:

Dwelling sizes – sq m GIA

Dwelling sizes	Affordable	Market
1 bed flat	48	50
2 bed flat	60	55
2 bed terrace	73	55
3 bed terrace	80	80
3 bed semi	80	80
4 bed detached	100	130
5 bed detached	???	150

Affordable 4 bed = 4 bed terr = 100 sq m
Flats + 10% non saleable

Workshop comments:

- 1 bed flat – 500 sq ft – with nil circulation space
- 2 bed flat - 550-600 sq ft
- 2 bed terrace – 600-650 sq ft
- 3bed terrace – 750-800sq ft
- 3 bed semi – 800-900 sq ft
- 3 bed detached – 900-950 sq ft
- 4 bed detached – 1200-1500 sq ft
- 5 bed detached – 1600-1700 sq ft

Post workshop note: - Following put forward by consultant team as GIA for market units (in light of workshop comments and review of recent planning permissions)

Type	Sq m GIA
1 bed flat*	45
2 bed flat	55
2 bed terrace	65
3 bed terrace	75
3 bed semi	80
3 bed detached	90
4 bed detached (small)	110
4 bed detached (large)	140
5 bed detached	160

*Nil circulation space

Development costs

Following were presented to the workshop:

Development Costs

Build - Flats (1-2 storeys)	£1,080/1134	sq m includes 15% for external works (Gwent v Monmouthshire)
Build - Houses (2-3 storeys)	£993/1043	sq m includes 15% for external works (Gwent v Monmouthshire)
Sprinklers	£3,075 houses, £879 flats	But not until Jan 2016 (sensitivity test?)
Professional fees	10%	of build costs
Finance	6%	of development costs
Marketing fees	3%	of market GDV
Developer return (market)	20%	of market GDV
Contractor return (AH)	6%	of build costs
SDLT	Variable	
Agents/legal costs	2.5%	Of RV
Residual s106	£1,500	Per dwelling for immediate site access and children's play
Abnormals	Depends....	Assessment for each case study
Strategic infrastructure costs	£100,000	net ha for strategic sites

Workshop feedback:

- Build costs for mainstream development are similar across south Wales and reasonable to use the averages shown;
- But traditionally a lot of smaller development/developers and costs tend to be higher;
- Sprinkler costs agreed;
- Other costs agreed (noted that c60% borrowed for development);
- Developer return of 20% is more realistic in the current market;
- Return for affordable housing should be c£15k per dw (but this is necessary to cover prof fees and finance) – Three Dragons agreed to use this as a sensitivity test. But LC also noted that Savills had agreed 6% return in statement of common ground for Caerphilly CIL examination;
- Abnormals – for strategic sites, LC explained that consultant team will review information used in previous strategic sites testing and MCC will contact scheme promoters to update this information (including infrastructure requirements);
- LC also asked for any evidence about need to include a standard abnormal cost for smaller sites

Affordable housing testing

LC explained that the team would assume nil grant for all the testing. The following proposed assumptions were presented:

Affordable Housing

- Test policy – 25% Severnside, 35% market towns and higher % AH in villages
- Composition of AH = 50% rent and 50% intermediate (Homebuy/intermediate rent) (50% average share)
- ACG versus 'capitalised net rent' for social rent – views please
- If ACG – assume 38% for rent, 50% Homebuy, 60% intermediate rent)

The workshop agreed that, for rental housing, the capitalised net rent approach should be followed and this would represent the minimum payment possible from a housing association. On this basis, LC presented the following proposed assumptions for comment.

Affordable Housing – if not ACG based

Property	Rent pw (net of service charge)	
	Social	Intermediate
1 bed flat	£60	£90
2 bed flat	£65	£110
2 bed house	£80	£115
3 bed house	£85	£135
4 bed house	£95	£160
5 bed house	?	?
Management, maintenance, repairs, voids etc	£1,500	
Capitalisation rate	6%	

The discussion indicated that:

- The policy position was noted and agreed
- The affordable housing tenure was noted and agreed
- Values – discussion suggested that capitalised net rent should be the main approach but ACG should be used as a sensitivity test; with the higher value of the two used in the modelling.
- There are additional costs to meet Development Quality Requirements (DQR) say £1100/sq m for social rent; while shared ownership would just be building regulations. Discussion indicated that DQR could amount to £3,500 per dwelling. Consultant team and SW to follow up with housing associations, on use of DQR.
- Rents were broadly correct.

Annex – other information presented to the workshop

Purpose

- What is the Community Infrastructure Levy – how does it work?
- Local Development Plan update
- Council's approach to CIL and timetable
- Viability evidence – residual value approach
- Assumptions - non residential
- Assumptions - residential
- Next steps – meeting note, further comment

CIL

- By regulation + guidance notes
- For infrastructure needed because of development
- Wide definition - transport, flood defences, schools, health, social care facilities, green spaces, leisure etc
- Collected from new development - with few exceptions
- Not mandatory BUT.....
2015 deadline – stopping pooled s 106 contributions

Council's Approach to s106/CIL - 1

- 27 June 2013 resolved to commence preparatory work for CIL
- Interim Policy Approach to Planning Obligations March 2013
- Draft Infrastructure Plan March 2013
- Appendix 1 of Adopted LDP – Schedule of Infrastructure Provision for Strategic Sites

Council's Approach to s106/CIL - 2

- LDP Strategic Policy S7 – Infrastructure Provision
- Long List of Potential Planning Obligations but priority given to:
 - Measures necessary to physically deliver development and ensure acceptable in planning terms
 - Affordable Housing

Annex 5

1ha Notional Site Results

Notional 1ha sites								
AREA/ LOCATION								
Housing Market Area	DPH	Market %	AH %	Total Mkt Floor Area (Sq m)	Residual Value	Benchmark	RV less benchmark	Max CIL £s per sq m
Severnside	30 dph	75%	25%	2,649.38	£709,000	650,000	59,000	£22
Severnside	40 dph	75%	25%	2,625.00	£763,000	650,000	113,000	£43
Severnside	50 dph	75%	25%	3,196.88	£909,000	650,000	259,000	£81
Monmouth	30 dph	65%	35%	2,296.13	£922,000	650,000	272,000	£118
Monmouth	40 dph	65%	35%	2,275.00	£1,016,000	650,000	366,000	£161
Monmouth	50 dph	65%	35%	2,770.63	£1,268,000	650,000	618,000	£223
Chepstow	30 dph	65%	35%	2,296.13	£1,420,000	650,000	770,000	£335
Chepstow	40 dph	65%	35%	2,275.00	£1,371,000	650,000	721,000	£317
Chepstow	50 dph	65%	35%	2,770.63	£1,629,000	650,000	979,000	£353
Abergavenny	30 dph	65%	35%	2,296.13	£1,054,000	650,000	404,000	£176
Abergavenny	40 dph	65%	35%	2,275.00	£1,031,000	650,000	381,000	£167
Abergavenny	50 dph	65%	35%	2,770.63	£1,246,000	650,000	596,000	£215
Rural	30 dph	65%	35%	2,296.13	£1,373,000	650,000	723,000	£315
Rural	40 dph	65%	35%	2,275.00	£1,213,000	650,000	563,000	£247
Rural	50 dph	65%	35%	2,770.63	£1,421,000	650,000	771,000	£278
Rural	30 dph	40%	60%	1,413.00	£589,000	650,000	-61,000	-£43
Rural	40 dph	40%	60%	1,400.00	£410,000	650,000	-240,000	-£171
Rural	50 dph	40%	60%	1,705.00	£452,000	650,000	-198,000	-£116

Annex 6

Case Study Results

Case Study	Scheme	MVA	Dwgs	Gross ha	Net ha	Net to gross (%)	AH %	Total Mkt Floor Area (Sq m)	Scheme Residual Value	sq m/gross ha	Residual value/gross ha	Upper Benchmark/gross ha	Lower Benchmark/gross ha	Residual Value less upper benchmark/gross ha	Residual Value less lower benchmark/gross ha	Upper Benchmark Max CIL £s per sq m	Lower Benchmark Max CIL £s per sq m
STRATEGIC SITES																	
1	SAH1 Deri Farm Abergavenny	Abergavenny	250	8.70	7.70	89%	35%	19,134.38	£4,299,942	2,199.35	£494,246	£300,000	£250,000	£194,246	£244,246	£88	£111
2	SAH2 Crick Road Portskewett	Severnside	285	9.95	7.70	77%	25%	18,703.28	£5,240,711	1,879.73	£526,705	£300,000	£250,000	£226,705	£276,705	£121	£147
3.1	SAH3 Fairfield Mabey, Chepstow (alt 1)	Chepstow	350	13.10	9.50	73%	35%	19,906.25	£10,203,212	1,519.56	£778,871	£650,000	£650,000	£128,871	£128,871	£85	£85
3.2	SAH3 Fairfield Mabey, Chepstow (alt 2)	Chepstow	350	13.10	9.50	73%	35%	19,906.25	£8,674,864	1,519.56	£662,203	£650,000	£650,000	£12,203	£12,203	£8	£8
4	SAH4 Wonastow Rd Monmouth	Monmouth	450	19.61	16.46	84%	35%	34,441.88	£12,783,907	1,756.34	£651,908	£300,000	£250,000	£351,908	£401,908	£200	£229
5.1	SAH5 Rockfield Farm Undy (Alt 1)	Severnside	270	9.00	7.45	83%	25%	23,844.38	£4,911,732	2,649.38	£545,748	£300,000	£250,000	£245,748	£295,748	£93	£112
5.2	SAH5 Rockfield Farm Undy (Alt 2)	Severnside	270	9.00	7.45	83%	25%	23,844.38	£4,675,816	2,649.38	£519,535	£300,000	£250,000	£219,535	£269,535	£83	£102
5.3	SAH5 Rockfield Farm Undy (Alt 3)	Severnside	270	9.00	7.45	83%	25%	23,844.38	£6,065,977	2,649.38	£673,997	£300,000	£250,000	£373,997	£423,997	£141	£160
6.1	SAH6 Vinegar Hill Undy (Alt 1)	Severnside	225	7.81	6.91	88%	25%	19,870.40	£3,528,484	2,544.22	£451,791	£300,000	£250,000	£151,791	£201,791	£60	£79
6.2	SAH6 Vinegar Hill Undy (Alt 2)	Severnside	225	7.81	6.91	88%	25%	19,870.40	£3,239,092	2,544.22	£414,736	£300,000	£250,000	£114,736	£164,736	£45	£65
6.3	SAH6 Vinegar Hill Undy (Alt 3)	Severnside	225	7.81	6.91	88%	25%	19,870.40	£4,899,641	2,544.22	£627,355	£300,000	£250,000	£327,355	£377,355	£129	£148
7	SAH7 Paper Mill Sudbrook	Severnside	190	6.60	6.60	100%	25%	16,779.38	£4,509,569	2,542.33	£683,268	£650,000	£650,000	£33,268	£33,268	£13	£13

Other Sites Results

Case Study	Scheme	MVA	Dwgs	Net ha	Net to gross (%)	Market %	AH %	Total Mkt Floor Area (Sq m)	Scheme Residual Value	sq m/gross ha	Residual value/gross ha	Benchmark/gross ha	Residual Value less benchmark/gross ha	Max CIL £s per sq m
OTHER SITES														
8	Severnside Windfall (35 dwgs)	Severnside	35	1.17	100%	75%	25%	3,091.02	£827,000	2,641.90	£706,838	£650,000	£56,838	£22
9	Severnside Windfall (10 dwgs)	Severnside	10	0.33	100%	75%	25%	883.13	£239,000	2,676.14	£724,242	£650,000	£74,242	£28
10	Severnside Small (4 dwgs)	Severnside	4	0.13	100%	75%	25%	353.25	£97,000	2,717.31	£746,154	£650,000	£96,154	£35
11	Severnside Small (3 dwgs)	Severnside	3	0.10	100%	75%	25%	265.02	£80,000	2,650.20	£800,000	£650,000	£150,000	£57
12	Main Towns Windfall (35 dwgs)	Abergavenny	35	1.17	100%	65%	35%	2,678.90	£1,228,000	2,289.65	£1,049,573	£650,000	£399,573	£175
13	Main Towns Windfall (10 dwgs)	Abergavenny	10	0.33	100%	65%	35%	765.38	£356,000	2,319.32	£1,078,788	£650,000	£428,788	£185
14	Main Towns Small (4 dwgs)	Abergavenny	4	0.13	100%	65%	35%	306.15	£146,000	2,355.00	£1,123,077	£650,000	£473,077	£201
15	Main Towns Small (3 dwgs)	Abergavenny	3	0.10	100%	65%	35%	229.70	£117,000	2,296.95	£1,170,000	£650,000	£520,000	£226

Case Study	Scheme	MVA	Dwgs	Gross ha	Net ha	Net to gross (%)	AH %	Total Mkt Floor Area (Sq m)	Scheme Residual Value	sq m/gross ha	Residual value/gross ha	Benchmark/gross ha	Lower Benchmark/gross ha	Residual Value less upper benchmark/gross ha
OTHER SITES														
Case Study	Scheme	MVA	Dwgs	Gross ha	Net ha	Net to gross (%)	AH %	Total Mkt Floor Area (Sq m)	Scheme Residual Value	sq m/gross ha	Residual value/gross ha	Benchmark/gross ha	Residual Value less benchmark/gross ha	Benchmark Max CIL £s per sq m
16	Main villages Small (4 dwgs)	Rural	4	0.13	0.13	100%	60%	208.00	£97,000	1,600.00	£746,154	£600,000	£146,154	£91
17	Main villages Small (3 dwgs)	Rural	3	0.10	0.10	100%	60%	156.00	£79,000	1,560.00	£790,000	£600,000	£190,000	£122
18	Main Villages (15dwgs)	Rural	15	0.50	0.50	100%	60%	855.00	£324,000	1,710.00	£648,000	£600,000	£48,000	£28
19	Minor Village Small (4 dwgs)	Rural	4	0.13	0.13	100%	75%	130.00	£25,000	1,000.00	£192,308	£600,000	-£407,692	-£408
20	Minor Village Small (3 dwgs)	Rural	3	0.10	0.10	100%	67%	130.00	£52,000	1,300.00	£520,000	£600,000	-£80,000	-£62

Case Study	Scheme	MVA	Dwgs	Gross ha	Net ha	Net to gross (%)	AH %	Total Mkt Floor Area (Sq m)	Scheme Residual Value	sq m/gross ha	Residual value/gross ha	Benchmark/gross ha	Residual Value less benchmark	Max CIL £s per sq m
RETIREMENT SCHEMES														
21a	Sevenside Retirement (50 dwgs)	Sevenside	50	0.50	0.50	100%	25%	3,255.00	-£83,691	6,510.00	-£167,382	£650,000	-£817,382	-£126
21b	Monmouth Retirement (50 dwgs)	Monmouth	50	0.50	0.50	100%	35%	2,821.00	£342,413	5,642.00	£684,826	£650,000	£34,826	£6
21c	Chepstow Retirement (50 dwgs)	Chepstow	50	0.50	0.50	100%	35%	2,821.00	£264,711	5,642.00	£529,422	£650,000	-£120,578	-£21
21d	Abergavenny Retirement (50 dwgs)	Abergavenny	50	0.50	0.50	100%	35%	2,821.00	-£38,472	5,642.00	-£76,944	£650,000	-£726,944	-£129
21e	Rural Retirement (50 dwgs)	Rural	50	0.50	0.50	100%	35%	2,821.00	-£38,472	5,642.00	-£76,944	£650,000	-£726,944	-£129

Annex 7

Non-residential Testing Assumptions and Results



Assumption	Source	Notes																																																
Costs																																																		
		<p>Through the course of the development plan period the Council envisages commercial development to occur. We have reflected future commercial development through testing the following commercial uses and unit sizes:</p> <table border="1"> <thead> <tr> <th></th> <th>GIA sq.m</th> <th>NIA sq.m</th> <th></th> </tr> </thead> <tbody> <tr><td>1: Town Centre Office</td><td>500</td><td>475</td><td></td></tr> <tr><td>2: Business Park</td><td>2,000</td><td>1,900</td><td></td></tr> <tr><td>3: Industrial</td><td>1,000</td><td>950</td><td></td></tr> <tr><td>4: Warehouse</td><td>2,000</td><td>1,900</td><td></td></tr> <tr><td>5: Local Store - Out of centre (Convenience)</td><td>200</td><td>190</td><td></td></tr> <tr><td>6: Supermarket (Convenience)</td><td>1,200</td><td>1,140</td><td></td></tr> <tr><td>7: Out of centre Retail Warehouse (Comparison)</td><td>1,000</td><td>950</td><td></td></tr> <tr><td>8: Town Centre Retail (Comparison)</td><td>200</td><td>190</td><td></td></tr> <tr><td>9: Hotel</td><td>800</td><td>760</td><td></td></tr> <tr><td>10: Carehomes</td><td>2,600</td><td>2,470</td><td>40</td></tr> <tr><td>11: Town Centre Retail (Convenience)</td><td>250</td><td>238</td><td></td></tr> </tbody> </table>		GIA sq.m	NIA sq.m		1: Town Centre Office	500	475		2: Business Park	2,000	1,900		3: Industrial	1,000	950		4: Warehouse	2,000	1,900		5: Local Store - Out of centre (Convenience)	200	190		6: Supermarket (Convenience)	1,200	1,140		7: Out of centre Retail Warehouse (Comparison)	1,000	950		8: Town Centre Retail (Comparison)	200	190		9: Hotel	800	760		10: Carehomes	2,600	2,470	40	11: Town Centre Retail (Convenience)	250	238	
	GIA sq.m	NIA sq.m																																																
1: Town Centre Office	500	475																																																
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3: Industrial	1,000	950																																																
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9: Hotel	800	760																																																
10: Carehomes	2,600	2,470	40																																															
11: Town Centre Retail (Convenience)	250	238																																																
Net to gross site developable area	PBA & developer workshop	<p>We have assumed the following net to gross site development percentages to allow for roads, SuDs, landscape and open space:</p> <table border="1"> <thead> <tr> <th></th> <th>Net site area (ha)</th> </tr> </thead> <tbody> <tr><td>1: Town Centre Office</td><td>0.04</td></tr> <tr><td>2: Business Park</td><td>0.29</td></tr> <tr><td>3: Industrial</td><td>0.20</td></tr> <tr><td>4: Warehouse</td><td>0.40</td></tr> <tr><td>5: Local Store - Out of centre (Convenience)</td><td>0.02</td></tr> <tr><td>6: Supermarket (Convenience)</td><td>0.24</td></tr> <tr><td>7: Out of centre Retail Warehouse (Comparison)</td><td>0.20</td></tr> <tr><td>8: Town Centre Retail (Comparison)</td><td>0.02</td></tr> <tr><td>9: Hotel</td><td>0.10</td></tr> <tr><td>10: Carehomes</td><td>0.33</td></tr> <tr><td>11: Town Centre Retail (Convenience)</td><td>0.03</td></tr> </tbody> </table>		Net site area (ha)	1: Town Centre Office	0.04	2: Business Park	0.29	3: Industrial	0.20	4: Warehouse	0.40	5: Local Store - Out of centre (Convenience)	0.02	6: Supermarket (Convenience)	0.24	7: Out of centre Retail Warehouse (Comparison)	0.20	8: Town Centre Retail (Comparison)	0.02	9: Hotel	0.10	10: Carehomes	0.33	11: Town Centre Retail (Convenience)	0.03																								
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	BCIS Quarterly Review of Building Prices Issue (January 2014)	<p>Build costs are based on median rates adjusted for location derived from BCIS Review of Building Prices online version data of actual prices in the marketplace. All major non-domestic development which does not qualify for assessment under Code for Sustainable Homes will be encouraged to be built to a minimum BREEAM (Building Research Establishment Assessment Method) Very Good standard.</p> <p>This excludes any allowance for externals which is treated separately.</p> <table border="1"> <thead> <tr> <th></th> <th>£/Sqm</th> </tr> </thead> <tbody> <tr><td>1: Town Centre Office</td><td>£1,103</td></tr> <tr><td>2: Business Park</td><td>£1,251</td></tr> <tr><td>3: Industrial</td><td>£665</td></tr> <tr><td>4: Warehouse</td><td>£440</td></tr> <tr><td>5: Local Store - Out of centre (Convenience)</td><td>£945</td></tr> <tr><td>6: Supermarket (Convenience)</td><td>£1,251</td></tr> <tr><td>7: Out of centre Retail Warehouse (Comparison)</td><td>£615</td></tr> <tr><td>8: Town Centre Retail (Comparison)</td><td>£907</td></tr> <tr><td>9: Hotel</td><td>£993</td></tr> <tr><td>10: Carehomes</td><td>£1,223</td></tr> <tr><td>11: Town Centre Retail (Convenience)</td><td>£1,062</td></tr> </tbody> </table>		£/Sqm	1: Town Centre Office	£1,103	2: Business Park	£1,251	3: Industrial	£665	4: Warehouse	£440	5: Local Store - Out of centre (Convenience)	£945	6: Supermarket (Convenience)	£1,251	7: Out of centre Retail Warehouse (Comparison)	£615	8: Town Centre Retail (Comparison)	£907	9: Hotel	£993	10: Carehomes	£1,223	11: Town Centre Retail (Convenience)	£1,062																								
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Plot external	Industry standards	<p>These covers external build costs for site preparation and includes items such as internal access roads, car parking, landscaping, drainage, utilities and services within the site. We have allowed the following percentage of build costs for these items.</p> <p>10%</p> <p>These exclude abnormal site development costs and exceptional offsite infrastructure.</p>																																																
Developer contribution (Section 106/278)	Client team & developer workshop	<p>In discussion with the local authority it is considered that S106/278 requirements for these types of uses are likely to be focused on mitigating transport impacts and thus an allowance has been made within our appraisals.</p> <table border="1"> <thead> <tr> <th>Amount</th> <th>Apply?</th> </tr> </thead> <tbody> <tr> <td>£25,000</td> <td>Yes</td> </tr> </tbody> </table> <p>Calculated as a £ psm</p>	Amount	Apply?	£25,000	Yes																																												
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1: Town Centre Office							
ITEM							
Net Site Area	0.04	Residual value	-£7,402,279.36 per ha				
							
1.0 Development Value							
1.1	1: Town Centre Office	No. of units	Size sq.m	Rent	Yield	Value per unit	Capital Value
		1	475	90	8.00%	£534,375	£534,375.00
					No. of months	Rent free period	Adjusted for rent free
						3	£524,192
							5.75%
Total development value							£494,051
2.0 Development Cost							
2.1 Site Acquisition							
2.1.1	Site value (residual land value)						-£303,124
							Less Purchaser Costs
							1.75%
							-£308,428.31
2.2 Build Costs							
2.2.1	1: Town Centre Office	No. of units	Size sq.m	Cost per sq.m			Total Costs
		1	500	£1,103			£551,500
							£551,500
2.3 Externals							
2.3.1	external works as a percentage of build costs		10.0%				£55,150
							£55,150
2.4 Professional Fees							
2.4.1	as percentage of build costs & externals		12%				£72,798
							£72,798
Total construction costs							£679,448
3.0 Contingency							
3.1.1	as a percentage of total construction costs		5%				£33,972.40
							£33,972
TOTAL DEVELOPMENT COSTS (including land payment)							£404,992
4.0 Developers' Profit							
4.1	as percentage of total development costs		Rate				£80,998
			20%				
							£80,998
TOTAL PROJECT COSTS [EXCLUDING INTEREST]							£485,991
TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]							£8,060
5.00 Finance Costs							
			APR		PCM		
			6.50%		0.526%		-£8,060
TOTAL PROJECT COSTS [INCLUDING INTEREST]							£494,051

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2: Business Park							
							
ITEM							
Net Site Area	0.29	Residual value		-£6,295,487.70 per ha			
1.0 Development Value							
1.1	2: Business Park	No. of units 1	Size sq.m 1900	Rent 80	Yield 8.0%	Value per unit £1,900,000	Capital Value £1,900,000
					No. of months	Rent free period 3	Adjusted for rent free £1,863,793
							5.75%
Total development value							£1,756,625
2.0 Development Cost							
2.1 Site Acquisition							
2.1.1	Site value (residual land value)						-£1,767,775
	Less Purchaser Costs						1.75%
							-£1,798,711
2.2 Build Costs							
2.2.1	2: Business Park	No. of units 1	Size sq.m 2,000	Cost per sq.m £1,251		Total Costs £2,502,000	
							£2,502,000
2.3 Externals							
2.3.1	external works as a percentage of build costs		10.0%		£250,200		
							£250,200
2.4 Professional Fees							
2.4.1	as percentage of build costs & externals		12%		£330,264		
							£330,264
2.5 Total construction costs							£3,082,464
3.0 Contingency							
3.1.1	as a percentage of total construction costs		5%		£154,123.20		
							£154,123
TOTAL DEVELOPMENT COSTS (including land payment)							£1,437,876
4.0 Developers' Profit							
4.1	as percentage of total development costs		Rate 20%		£287,575		
							£287,575
TOTAL PROJECT COSTS [EXCLUDING INTEREST]							£1,725,452
TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]							£31,173
5.00 Finance Costs							
		APR 6.50%			PCM 0.526%	-£31,173	
TOTAL PROJECT COSTS [INCLUDING INTEREST]							£1,756,625
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3: Industrial							
ITEM							
Net Site Area	0.20	Residual value	-£2,873,052.90 per ha				
							
1.0 Development Value							
1.1	3: Industrial	No. of units	Size sq.m	Rent	Yield	Value per unit	Capital Value
		1	950	50	13.0%	£365,385	£365,385
					No. of months	Rent free period	Adjusted for rent free
						3	£354,389.34
							4.75%
Total development value							£348,028.85
2.0 Development Cost							
2.1 Site Acquisition							
2.1.1	Site value (residual land value)						-£564,728
	Less Purchaser Costs						1.75%
							-£574,610.58
2.2 Build Costs							
2.2.1	3: Industrial	No. of units	Size sq.m	Cost per sq.m		Total Costs	
		1	1,000	£665		£665,000	
							£665,000
2.3 Externals							
2.3.1	external works as a percentage of build costs		10.0%		£66,500		
							£66,500
2.4 Professional Fees							
2.4.1	as percentage of build costs & externals		12%		£87,780		
							£87,780
2.5 Total construction costs							£819,280
3.0 Contingency							
3.1.1	as a percentage of total construction costs		5%		£40,964.00		
							£40,964
TOTAL DEVELOPMENT COSTS (including land payment)							£285,633
4.0 Developers' Profit							
4.1	as percentage of total development costs		Rate		20%		
							£57,127
							£57,127
TOTAL PROJECT COSTS [EXCLUDING INTEREST]							£342,760
TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]							£5,269
5.00 Finance Costs							
		APR	PCM				
		6.50%	0.526%		-£5,269		
TOTAL PROJECT COSTS [INCLUDING INTEREST]							£348,029
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4: Warehouse							
ITEM							
Net Site Area	0.40	Residual value	-£1,886,549.68 per ha				
1.0 Development Value							
1.1	4: Warehouse	No. of units	Size sq.m	Rent	Yield	Value per unit	Capital Value
		1	1900	£35	13.0%	£511,538	£511,538
					No. of months	Rent free period	Adjusted for rent free
						3	496,145
							5.75%
Total development value							£467,617
2.0 Development Cost							
2.1 Site Acquisition							
2.1.1	Site value (residual land value)						-£741,641
							Less Purchaser Costs
							1.75%
							-£754,620
2.2 Build Costs							
2.2.1	4: Warehouse	No. of units	Size sq.m	Cost per sq.m			Total Costs
		1	2,000	£440			£880,000
							£880,000
2.3 Externals							
2.3.1	external works as a percentage of build costs		10.0%				£88,000
							£88,000
2.4 Professional Fees							
2.4.1	as percentage of build costs & externals		12%				£116,160
							£116,160
Total construction costs							£1,084,160
3.0 Contingency							
3.1.1	as a percentage of total construction costs		5%				£54,208.00
							£54,208
TOTAL DEVELOPMENT COSTS (including land payment)							£383,748
4.0 Developers' Profit							
4.1	as percentage of total development costs		Rate				£76,750
			20%				
							£76,750
TOTAL PROJECT COSTS [EXCLUDING INTEREST]							£460,498
TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]							£7,119
5.00 Finance Costs							
			APR		PCM		
			6.50%		0.526%		-£7,119
TOTAL PROJECT COSTS [INCLUDING INTEREST]							£467,617



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5: Local Store - Out of centre (Convenience)							
ITEM							
Net Site Area	0.02	Residual value	£2,836,878.75 per ha				
							
1.0 Development Value							
1.1	5: Local Store - Out of centre (Cc)	No. of units 1	Size sq.m 190	Rent 160	Yield 7.5%	Value per unit £405,333	Capital Value £405,333
					No. of months	Rent free period 3	Adjusted for rent free 398,071
							4.75%
Total development value							£379,162
2.0 Development Cost							
2.1 Site Acquisition							
2.1.1	Site value (residual land value)						£61,957
							Less Purchaser Costs 1.75%
							£63,042
2.2 Build Costs							
2.2.1	5: Local Store - Out of centre (Cc)	No. of units 1	Size sq.m 200	Cost per sq.m £945			Total Costs £189,000
							£189,000
2.3 Externals							
2.3.1	external works as a percentage of build costs		10.0%				£18,900
							£18,900
2.4 Professional Fees							
2.4.1	as percentage of build costs & externals		12%				£24,948
							£24,948
Total construction costs							£232,848
3.0 Contingency							
3.1.1	as a percentage of total construction costs		5%				£11,642.40
							£11,642
TOTAL DEVELOPMENT COSTS (including land payment)							£307,532
4.0 Developers' Profit							
4.1	as percentage of total development costs		Rate 20%				£61,506
							£61,506
TOTAL PROJECT COSTS [EXCLUDING INTEREST]							£369,039
TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]							£10,124
5.00 Finance Costs							
			APR 6.50%			PCM 0.526%	£-10,124
TOTAL PROJECT COSTS [INCLUDING INTEREST]							£379,162

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6: Supermarket (Convenience)							
ITEM							
Net Site Area	0.24	Residual value	£4,124,424.59 per ha				
							
1.0 Development Value							
1.1	6: Supermarket (Convenience)	No. of units	Size sq.m	Rent	Yield	Value per unit	Capital Value
		1	1140	190	5.5%	£3,938,182	£3,938,182
					No. of months	Rent free period	Adjusted for rent free
						3	3,885,820
							5.75%
Total development value							£3,662,385
2.0 Development Cost							
2.1 Site Acquisition							
2.1.1	Site value (residual land value)						£936,040
							Less Purchaser Costs
							5.75%
							£989,861.90
2.2 Build Costs							
2.2.1	6: Supermarket (Convenience)	No. of units	Size sq.m	Cost per sq.m			Total Costs
		1	1,200	£1,251			£1,501,200
							£1,501,200
2.3 Externals							
2.3.1	external works as a percentage of build costs		10.0%				£150,120
							£150,120
2.4 Professional Fees							
2.4.1	as percentage of build costs & externals		12%				£198,158
							£198,158
Total construction costs							£1,849,478
3.0 Contingency							
3.1.1	as a percentage of total construction costs		5%				£92,473.92
							£92,474
TOTAL DEVELOPMENT COSTS (including land payment)							£2,931,814
4.0 Developers' Profit							
4.1	as percentage of total development costs		Rate				£586,363
			20%				
							£586,363
TOTAL PROJECT COSTS [EXCLUDING INTEREST]							£3,518,177
TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]							£144,208
5.00 Finance Costs							
			APR		PCM		
			6.50%		0.526%		-£144,208
TOTAL PROJECT COSTS [INCLUDING INTEREST]							£3,662,385

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7: Out of centre Retail Warehouse (Comparison)							
ITEM							
Net Site Area	0.20	Residual value	£2,582,305.93 per ha				
1.0 Development Value							
1.1	7: Out of centre Retail Warehouse	No. of units 1	Size sq.m 950	Rent £140	Yield 7.5%	Value per unit £1,773,333	Capital Value £1,773,333
					No. of months	Rent free period 3	Adjusted for rent free £1,741,559
							5.75%
Total development value							£1,641,420
2.0 Development Cost							
2.1 Site Acquisition							
2.1.1	Site value (residual land value)						£493,042
							Less Purchaser Costs 4.75%
							£516,461
2.2 Build Costs							
2.2.1	7: Out of centre Retail Warehouse	No. of units 1	Size sq.m 1,000	Cost per sq.m £615			Total Costs £615,000
							£615,000
2.3 Externals							
2.3.1	external works as a percentage of build costs		10.0%				£61,500
							£61,500
2.4 Professional Fees							
2.4.1	as percentage of build costs & externals		12%				£81,180
							£81,180
Total construction costs							£757,680
3.0 Contingency							
3.1.1	as a percentage of total construction costs		5%				£37,884.00
							£37,884
TOTAL DEVELOPMENT COSTS (including land payment)							£1,312,025
4.0 Developers' Profit							
4.1	as percentage of total development costs		Rate 20%				£262,405
							£262,405
TOTAL PROJECT COSTS [EXCLUDING INTEREST]							£1,574,430
TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]							£66,989
5.00 Finance Costs							
			APR 6.50%			PCM 0.526%	£-66,989
TOTAL PROJECT COSTS [INCLUDING INTEREST]							£1,641,420



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8: Town Centre Retail (Comparison)							
ITEM							
Net Site Area	0.02	Residual value	£1,459,164.04 per ha				
							
1.0 Development Value							
1.1	8: Town Centre Retail (Comparis	No. of units 1	Size sq.m 190	Rent £165	Yield 9.0%	Value per unit £348,333	Capital Value £348,333
					Rent free period No. of months 3		Adjusted for rent free £340,908.96
							4.75%
Total development value							£324,716
2.0 Development Cost							
2.1 Site Acquisition							
2.1.1	Site value (residual land value)						£28,681
			Less Purchaser Costs				1.75%
							£29,183
2.2 Build Costs							
2.2.1	8: Town Centre Retail (Comparis		Size sq.m 200	Cost per sq.m £907			Total Costs £181,400
							£181,400
2.3 Externals							
2.3.1	external works as a percentage of build costs		10.0%				£18,140
							£18,140
2.4 Professional Fees							
2.4.1	as percentage of build costs & externals		12%				£23,945
							£23,945
Total construction costs							£223,485
3.0 Contingency							
3.1.1	as a percentage of total construction costs		5%				£11,174.24
							£11,174
TOTAL DEVELOPMENT COSTS (including land payment)							£263,842
4.0 Developers' Profit							
4.1	as percentage of total development costs		Rate 20%				£52,768
							£52,768
TOTAL PROJECT COSTS [EXCLUDING INTEREST]							£316,611
TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]							£8,105
5.00 Finance Costs							
			APR 6.50%			PCM 0.526%	-£8,105
TOTAL PROJECT COSTS [INCLUDING INTEREST]							£324,716
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9: Hotel									
ITEM									
Net Site Area	0.10	Residual value		-£106,993.31 per ha					
1.0 Development Value									
1.1	9: Hotel	No. of units 1	No of Bed's 0	Size sq.m 760	Rent 130	Yield 7.3%	Value per unit £1,359,010	Capital Value £1,359,010	
							Rent free period No. of months 3	Adjusted for rent free £1,335,374.15	
								5.75%	
Total development value								£1,258,590	
2.0 Development Cost									
2.1 Site Acquisition									
2.1.1	Site value (residual land value)							£10,515	
							Less Purchaser Costs	1.75%	
								-£10,699	
2.2 Build Costs									
2.2.1	9: Hotel	No. of units 1	Size sq.m 800	Cost per sq.m £993		Total Costs £794,400			
								£794,400	
2.3 Externals									
2.3.1	external works as a percentage of build costs			10.0%		£79,440			
								£79,440	
2.4 Professional Fees									
2.4.1	as percentage of build costs & externals			12%		£104,861			
								£104,861	
2.5 Total construction costs								£978,701	
3.0 Contingency									
3.1.1	as a percentage of total construction costs			5%		£48,935.04			
								£48,935	
TOTAL DEVELOPMENT COSTS (including land payment)								£1,016,937	
4.0 Developers' Profit									
4.1	as percentage of total development costs			Rate 20%		£203,387			
								£203,387	
TOTAL PROJECT COSTS [EXCLUDING INTEREST]								£1,220,324	
TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]								£38,266	
5.00	Finance Costs		APR 6.50%	PCM 0.526%		-		£38,266	
TOTAL PROJECT COSTS [INCLUDING INTEREST]								£1,258,590	

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10: Carehomes							
							
ITEM							
Net Site Area	0.33	Residual value		-£7,505,394.53 per ha			
1.0 Development Value							
1.1	10: Carehomes	No. of units 1	No of Bed's 40	Size sq.m 2470	Rent 3700	Yield 7.0%	Value per unit £52,857
							Capital Value £2,114,285.71
							Adjusted for rent free
					Rent free period No. of months 3	£2,078,824.04	
							1.75%
Total development value							£2,042,445
2.0 Development Cost							
2.1 Site Acquisition							
2.1.1	Site value (residual land value)						-£2,397,300
							Less Purchaser Costs
							1.75%
							-£2,439,253
2.2 Build Costs							
2.2.1	10: Carehomes	No. of units 1	Size sq.m 2,600	Cost per sq.m £1,223	Total Costs		
							£3,179,800
							£3,179,800
2.3 Externals							
2.3.1	external works as a percentage of build costs		10.0%		£317,980		
							£317,980
2.4 Professional Fees							
2.4.1	as percentage of build costs & externals		12%		£419,734		
							£419,734
2.5 Total construction costs							£3,917,514
3.0 Contingency							
3.1.1	as a percentage of total construction costs		5%		£195,875.68		
							£195,876
TOTAL DEVELOPMENT COSTS (including land payment)							£1,674,136
4.0 Developers' Profit							
4.1	as percentage of total development costs		Rate 20%		£334,827		
							£334,827
TOTAL PROJECT COSTS [EXCLUDING INTEREST]							£2,008,963
TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]							£33,481
5.00 Finance Costs							
			APR 6.50%	PCM 0.526%			-£33,481
TOTAL PROJECT COSTS [INCLUDING INTEREST]							£2,042,445

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11: Town Centre Retail (Convenience)						
ITEM						
Net Site Area	0.03	Residual value	£2,484,964.69 per ha			
1.0 Development Value						
1.1	11: Town Cer	No. of units 1	Size sq.m 238	Rent 185	Yield 8.0%	Value per unit £549,219
						Capital Value £549,218.75
						Adjusted for rent free £538,752.65
						5.75%
Total development value						£507,774
2.0 Development Cost						
2.1 Site Acquisition						
2.1.1	Site value (residual land value)					£61,056
						Less Purchaser Costs 1.75%
						£62,124.12
2.2 Build Costs						
2.2.1	11: Town Centre Retail (Convenie	No. of units 1	Size sq.m 250	Cost per sq.m £1,062	Total Costs £265,500	
						£265,500
2.3 Externals						
2.3.1	external works as a percentage of build costs		10.0%		£26,550	
						£26,550
2.4 Professional Fees						
2.4.1	as percentage of build costs & externals		12%		£35,046	
						£35,046
2.5 Total construction costs						£327,096
3.0 Contingency						
3.1.1	as a percentage of total construction costs		5%		£16,354.80	
						£16,355
TOTAL DEVELOPMENT COSTS (including land payment)						£405,575
4.0 Developers' Profit						
4.1	as percentage of total development costs		Rate 20%		£81,115	
						£81,115
TOTAL PROJECT COSTS [EXCLUDING INTEREST]						£486,690
TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£21,084
5.00 Finance Costs						
			APR 6.50%	PCM 0.526%		£-21,084
TOTAL PROJECT COSTS [INCLUDING INTEREST]						£507,774



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